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THESIS

A STUDY OF THE STATE OF BUDGETARY FINANCIAL REPORTING IN NAVY MEDICINE

by

Glenn A. Smith

December 1998

Principal Advisor: O. Douglas Moses
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Navy medicine is currently in a state of change in the methods it employs to report on its stewardship over the budget authority it annually receives and executes. The Bureau of Medicine and Surgery (BUMED) is responsible for accurately reporting on budget execution for Navy medicine. BUMED must comply with financial reporting reform mandates from Congress and other federal agencies, while simultaneously optimizing the use of its financial systems to improve financial management processes. This thesis describes and examines the effectiveness of budgetary financial reporting in Navy medicine. The thesis investigates the Defense Finance and Accounting Service (DFAS) and BUMED accounting systems that produce the financial reports, and additionally evaluates the BUMED official accounting reports that roll up into Department of the Navy (DoN) and Department of Defense (DoD) audited financial statements. Criteria established in the Department of Defense Financial Management Regulation (DoDFMR) and BUMED's Command Evaluation Program (CE) are analyzed to evaluate the effectiveness of the financial systems and reports. The analysis shows that BUMED has made considerable strides in contributing to financial reporting reforms by increasing efficiencies of its systems through consolidation and integration. Additionally, BUMED has complied with financial management reporting guidance set forth by federal regulatory agencies.

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A STUDY OF THE STATE OF BUDGETARY FINANCIAL REPORTING IN NAVY MEDICINE

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B.S., Wayland Baptist University, 1991

Submitted in partial fulfillment of the
requirements for the degree of

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from the

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ABSTRACT

Navy medicine is currently in a state of change in the methods it employs to report on its stewardship over the budget authority it annually receives and executes. The Bureau of Medicine and Surgery (BUMED) is responsible for accurately reporting on budget execution for Navy medicine. BUMED must comply with financial reporting reform mandates from Congress and other federal agencies, while simultaneously optimizing the use of its financial systems to improve financial management processes. This thesis describes and examines the effectiveness of budgetary financial reporting in Navy medicine. The thesis investigates the Defense Finance and Accounting Service (DFAS) and BUMED accounting systems that produce the financial reports, and additionally evaluates the BUMED official accounting reports that roll up into Department of the Navy (DoN) and Department of Defense (DoD) audited financial statements. Criteria established in the Department of Defense Financial Management Regulation (DoDFMR) and BUMED's Command Evaluation Program (CE) are analyzed to evaluate the effectiveness of the financial systems and reports. The analysis shows that BUMED has made considerable strides in contributing to financial reporting reforms by increasing efficiencies of its systems through consolidation and integration. Additionally, BUMED has complied with financial management reporting guidance set forth by federal regulatory agencies.

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I. INTRODUCTION

A. BACKGROUND

1. Federal Financial Management Reform

The federal government has recently recognized the need to improve many of its financial management processes. The identification of deficiencies in financial reporting and business practices created the need for financial management reforms within all federal agencies. Some of the efforts toward reform deal directly with the preparation of financial statements while others focus on the need to increase the effectiveness and efficiency of the utilization of financial resources received.

Steps toward financial management reform began in 1990 with passage of the Chief Financial Officers (CFO) Act. The CFO Act called for federal agencies to develop and maintain integrated accounting and financial management systems. These systems were to include financial reporting capabilities and internal controls able to comply with appropriate accounting principles and standards commensurate with requirements set forth by the Office of Management and Budget (OMB). (Public Law 101-576)

The Government Performance and Results Act was enacted in 1993, charging federal agencies with improving their operations, programs, and management practices. Beginning in Fiscal Year (FY) 1999, each federal agency is required to present annually to OMB a performance plan covering each program

activity set forth in their budget. Additionally, each agency must submit to the President and Congress its report on program performance for the previous fiscal year by March 31 of the following year. (Public Law 103-62)

Improving the effectiveness of financial management reporting within the federal government was the goal of the Government Management Reform Act of 1994 (GMRA). It extended financial statement audit requirements of the CFO Act agencies, requiring them to prepare and have audited their financial statements. Federal agencies were required to submit audited financial statements by March 1, 1997, for FY96.

2. Navy Medicine's Role in Financial Management Reform

The role of the Office of the Assistant Secretary of Defense for Health Affairs OASD (HA) in DoD's efforts toward reform and consolidation of financial management operations is to administer the Defense Medical Programs Activity (DMPA) across the services. The focus of the DMPA is to support the planning, programming, budgeting, execution, program review and evaluation of resources of the Defense Unified Medical Program across the military services. Additionally it is charged with oversight of the information systems needs of the Military Health Services System.

Under the guidance of OASD (HA), the Bureau of Medicine and Surgery (BUMED) maintains oversight of the administration of financial management operations for Navy Medicine. BUMED's responsibilities in supporting OASD

(HA) in achieving financial management reform are evident in its Office of Resource Management/Comptroller mission statement. The primary mission of the Office of Resource Management/Comptroller, BUMED is

> [t]o formulate principles and policies and prescribe procedures and systems which will exercise effective control over the financial operations of the BUMED claimancy. To justify and ensure optimum use of resources for the efficient delivery of health care. To develop and maintain an integrated fiduciary system for Chief, BUMED, that is both accurate and responsive to the Office of the Chief of Naval Operations (OPNAV), The Navy Comptroller (NAVCOMPT), Office of the Secretary of Defense (OSD), Office of Management and Budget (OMB), and Congress. (BUMED 1998)

In attempting to carry out this mission, BUMED strives to overcome the same entrenched financial management difficulties and deficiencies faced by other federal agencies.

This thesis investigates the evolution of budgetary financial accounting and reporting in Navy Medicine, and discusses the strategies currently employed to conform to recent governmental mandates established in the early 1990s designed to improve financial management practices. The effectiveness of these strategies and the degree to which Navy Medicine contributes to financial management reform as a result is explored.

B. STATEMENT OF THE PROBLEM

DoD has maintained decentralized financial operations since being formed in 1947. This mode of operation created the benefit of promoting high effectiveness and initiative across the military departments as well as within its other organizational components. A major shortcoming to this decentralized approach to operations, however, was that the various components managed their own budget, finance, and accounting systems. This resulted in the various entities within DoD developing differing processes and business practices; each focusing on their specific mission with no appreciation for the need for compatibility with other DoD operations. As defense missions increased in their complexity, interagency interaction increased, creating the need for system compatibility and standardization. Instead of revising its organizational structure or standardizing its many systems, DoD became even more complex in its business practices as it tried to link its many systems. The intricate nature of the various financial systems became problematic as the existing systems and available personnel could not meet the increased demands placed on them. Adding to the problem was the built-in inefficiency of having diverse organizations perform similar functions on myriad divergent financial systems.

DoD initiated its move away from a decentralized approach to financial management operations in 1994 by consolidating the efforts employed by its Defense Finance and Accounting Service (DFAS). DFAS field installations were

reduced in number from over 330 down to five centers and 21 branch operating locations. This action streamlined DoD accounting processes by eliminating redundancy and increasing the speed of operations. The goals of consolidation were to provide improved customer service to DoD customers, increase productivity, and strengthen financial management support to DoD decision-makers.

This chapter acquaints the reader with budgetary financial accounting and reporting within DoD and Navy Medicine. The first section provides a description of these budgetary financial accounting and reporting practices. The next portion of the chapter sets forth the research questions to be addressed in the thesis. The next part of the chapter describes the research methodology employed. The fourth section addresses the thesis' scope and limitations. The chapter's conclusion provides the structure of the succeeding chapters.

C. BUDGETARY FINANCIAL ACCOUNTING AND REPORTING

Budgetary financial accounting in DoD is designed to track and continuously report on the state of budget authority the agency receives. In addition to reporting appropriations by category or other budget authority, it allows for the analysis of budget authority execution. In doing so it equips management with the capability to observe the status of budget authority and to ascertain the possibility of an over-obligation of funds. Like all agencies of the

federal government, DoD is required to maintain fiduciary responsibility for the financial resources it receives as a result of the congressional budget process.

The defense budget process begins with the Executive Branch's annual defense budget request. In the case of defense spending, the request is drafted primarily by DoD, but it is officially submitted to Congress by the President through the OMB. Congress then acts upon the budget submission. Annual authorization acts authorize specific programs. Congress grants funds for defense programs principally by appropriating funds in annual appropriations acts. Included are the Department of Defense Appropriations Act, the Military Construction Appropriations Act, and other appropriations laws. The final series of steps in the budget process is budget execution. Congressional appropriation action for defense programs establishes budget authority for government agencies. The Anti-Deficiency Act however prohibits agencies from both spending funds over the amount of budget authority appropriated, as well as creating obligations of funds for purposes other than those for which funds were intended. (DoDFMR Vol. 14, Chapter 10)

Budgetary financial accounting is the primary tool used in tracking and reporting on the execution of obligation of budget authority by fund administrating activities throughout DoD.

D. RESEARCH QUESTIONS

The research questions that were analyzed and evaluated in completing this thesis are as follows:

1. Primary Research Question

What is the historical evolution and the current state of budgetary financial accounting and reporting in Navy medicine, and how are Navy medicine's financial management reporting practices evaluated?

2. Subsidiary Research Questions

- What events occurred in the evolution of governmental financial management that sparked the need for Navy medicine to reform financial accounting and reporting practices?
- What are the models, principles, standards, information systems and structure that make up the current state of budgetary financial accounting and reporting in Navy medicine?
- How do internal accounting initiatives such as the Medical Expense Performance Reporting System (MEPRS), the Composite Health Care System (CHCS), and the Summarized Medical Analysis Resource Tool (SMART) contribute to effective budgetary financial reporting?
- What areas of Navy Medicine's financial management framework can be improved to support DoD accounting reform efforts?

E. METHODOLOGY

The research was conducted in several phases. Past budgetary financial accounting and reporting practices in DoD were examined to gain a historical perspective of management practices. This was accomplished using current

literature as well as canceled instructions and directives, and cost accounting system reports internal to BUMED. DoD and BUMED regulations were also included in the sources of research, as were Naval Postgraduate School financial management texts, federal budgeting articles, and prior student theses.

Interviews with management personnel of OASD (HA), BUMED, and field comptrollers were conducted as well to gain insights into the different perspectives of the evolution of budgetary financial accounting practices within DoD and Navy medicine.

Additionally, visits to the office of the Director of Resources, Health Service Support Office (HSO) San Diego were essential in evaluating the current accounting and reporting practices resulting from new federal guidelines. Telephone interviews were conducted with representatives of the following:

- Office of Assistant Secretary of Defense Health Affairs (Resources Management Division)
- Bureau of Medicine and Surgery (Accounting Division)
- Bureau of Medicine and Surgery (Progress Reports and Statistics Division)

Existing financial reports applied to DoD and Navy Medicine budgetary accounting are included to provide examples of typical reports reviewed. BUMED provided the financial reports contained in this thesis. The final part of the thesis is concerned with evaluating the effectiveness of recent changes in accounting and reporting, and to determine how well Navy medicine supports

DoD attempts at reform. The purpose of this research was to evaluate how well the current state of budgetary financial accounting practices in Navy medicine conformed to and assisted in recent DoD efforts to improve its financial management programs. It was beyond the thesis' scope and limitations to explain fully all aspects of financial accounting and reporting. Accordingly, the objective was to provide an aggregate, systematic view of changes to budgetary financial reporting in the DoD and Navy medicine. This thesis closes by furnishing a succinct response to the research questions.

F. SCOPE AND LIMITATIONS

DoD accounting transactions are simultaneously recorded on an accrual and budgetary basis. Under the accrual method, revenues are recognized when they are earned and expenses are recognized when a liability has been incurred, regardless of when the actual receipt or payment of cash occurs. Budgetary accounting is achieved through the use of unique general ledger accounts which promote DoD's compliance with legal and internal control requirements connected with the use of federal funds. The principle goal of this thesis is to examine the current status of budgetary financial accounting and reporting in Navy medicine, and to determine its effectiveness as it relates to DoD reform efforts. As such, the scope of the financial data contained herein is limited as it applies exclusively to the Office of the Secretary of Defense, Office of the Assistant Secretary of Defense for Health Affairs and BUMED. The financial management reports

contained in the thesis are provided as a direct result of accounting transactions of the fixed medical and dental treatment facilities of BUMED.

G. ORGANIZATION OF THE THESIS

The thesis consists of six chapters. Chapter I covers the statement of the problem, background, a definition of budgetary financial accounting and reporting, research questions, methods of analysis and the scope and limitations of the thesis. Chapter II focuses on the DoD/Navy medicine financial reporting model. It discusses the various standards that govern the stewardship of financial resources within federal government entities and identifies the structure of the DoD financial organization. Chapter II additionally explains the accounting cycle and the accounting principles and analytical techniques affixed to it. Chapter III acquaints the reader with the information systems used in DoD/Navy medicine to accomplish budgetary financial accounting and reporting. Chapter IV discusses budgetary financial reporting and discusses the primary reports used. Chapter V provides analysis of current budgetary financial reporting in Navy medicine. The objective is to compare differences between past and current practices and evaluate the effectiveness of the current state of budgetary financial reporting in Navy medicine. Chapter VI summarizes the results and concludes with recommendations.

II. DOD/BUMED FINANCIAL REPORTING MODEL

A. INTRODUCTION

Chapter I introduced this thesis by providing background information on the inherent problems that have led to the need for financial reform across federal agencies. It discussed the roles currently played by OASD (HA) and BUMED in budgetary financial reporting reform as DoD financial management processes turn away from a historically decentralized approach to operations. It also described a working definition of budgetary financial reporting, and provided the research questions to be answered. This chapter will expand upon that foundation and describe DoD/Navy medicine's financial reporting model and general flow of funds. It will describe the various regulatory agencies that give guidance for the financial management systems of the federal government as well as describe their governing standards. This chapter will also provide the reader with an understanding of basic funding structures that provide Navy medicine with its appropriated funds. Finally, it will describe the accounting principles and analytical techniques employed by the users of financial reports.

B. REGULATORY AGENCIES

The issuance of regulations and guidance for financial management systems of the federal government is the responsibility of several agencies and organizations. The organizations and the program principally responsible for setting the course of financial management in the federal government are OMB,

Department of the Treasury, General Accounting Office (GAO), Joint Financial Management Improvement Program (JFMIP), and Federal Accounting Standards Advisory Board (FASAB). (DFAS Home Page)

The OMB develops and coordinates financial management procedures and program objectives across federal departments and agencies. It also defines the reporting requirements for governmental financial statements. Additionally, the OMB publishes accounting standards for the federal government related to the financial management systems and operations, based upon recommendations received from the FASAB. Federal agencies must then comply with the various circulars and bulletins issued by OMB which are considered to be the established regulations.

The Treasury can also publish fiscal policies and regulations, and does so in the form of its Treasury Financial Manual (TFM). These policies and requirements are developed by the Treasury's Financial Management Service (FMS). The TFM also provides accounting and reporting guidance. In addition to furnishing accounting and reporting guidance, other Treasury functions include instructions on payroll, disbursing and collection processes.

The GAO has statutory authority and responsibility for establishing accounting principles for federal agencies as stated in Title 2 of its Policy and Procedures Manual for Guidance of Federal Agencies. It establishes accounting standards and sets forth rules for federal management systems and the internal

control standards of the Comptroller General. Historically, however, it has served primarily as an audit organization, devoting relatively little attention to its standard-setting responsibilities.

> The General Accounting Office acts as the investigative arm of the Congress. Charged with examining matters relating to the receipt and disbursement of public funds, GAO performs audits and evaluations of Government programs and activities. (GAO Homepage)

Financial reporting in comprehensive financial statements was comparatively rare in financial agencies until in 1990, when the GAO, Department of Treasury, and OMB came together to jointly create the Federal Accounting Standards Advisory Board (FASAB). The FASAB's chief role is to propose standards of financial accounting and reporting for federal agencies. Its establishment and subsequent efforts have provided the federal government with a comprehensive body of accounting principles that are considered generally accepted. Once the Board's sponsors adopt standards, OMB then publishes the recommended accounting standards. OMB, the Department of the Treasury, and GAO subsequently accept these standards. FASAB has contributed eight recommendations since 1990. As of September 1997 these recommendations have been accepted and have become the Statements of Federal Financial Accounting Standards (SFFAS).

The establishment of the JFMIP was the result of another cooperative effort. OMB, the Treasury, GAO, and Office of Personnel Management formed

the JFMIP with the overall goal of ensuring improvement of the financial management practices within the federal government.

> The overall objectives of the JFMIP are to encourage and promote the sharing and exchanging of information concerning good financial policies, practices, and techniques throughout government, and to improve financial management throughout the government, and thereby contribute significantly to the effective and efficient planning and operation of government programs. (DoDFMR Vol. I, Ch 5)

To this end the JFMIP has published several publications that set forth an appropriate framework, philosophy, and regulations for various diverse financial management systems.

C. GOVERNING STANDARDS

Four major congressional laws passed during the 1990s focused on the requirement of federal agencies to improve their financial management operations, systems, and internal controls. They are as follows: a) the CFO Act of 1990; b) the Government Performance and Results Act of 1993; c) the Government Management Reform Act of 1994 and; d) the Federal Financial Management Act of 1996. (DFAS Home Page) Although all federal agencies are concerned with complying with these laws in financial management, the primary focus for entities within DoD for appropriation law is the DoD Instruction 7000.14, Financial Management Regulation (DoDFMR), as it incorporates all applicable statutes.

> It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory

and regulatory requirements applicable to the Department of Defense.

The DoDFMR provides Navy medicine with the policy, regulations, and procedures within the area of responsibility of the Comptroller, DoD. It governs financial management by establishing and enforcing requirements; principles, standards, procedures, and practices needed to adhere to the financial management statutory and regulatory requirements that apply to Navy medicine. It directs financial management requirements, systems and functions for all appropriated, non-appropriated, working capital, revolving and trust fund activities. Additionally, it directs statutory and regulatory financial reporting requirements. Navy medicine has published the Financial Resources Guide, (NAVMED P-5020) and the Financial Management Handbook, (NAVSO 3006), which incorporate DoDFMR financial management directives, as they apply to the budgetary financial management operations unique to the delivery of health care.

D. BUDGET DISTRIBUTION AND EXECUTION

1. Budget Distribution: Funding Structure

Following the congressional enactment process, budget execution begins. After the President signs the Appropriations Bill into law, the first step in the budget execution phase is implementing the Appropriations Act previously enacted by Congress during the enactment phase. The U.S. Treasury accomplishes implementation of the Appropriations Act through the issuance of an

Appropriation Warrant. Appropriation Warrants note the appropriation symbols, the amounts specified in the act, and identify any specific restrictions dictated by Congress. The warrant makes appropriated federal funds accessible for apportionment and allocation. OMB then apportions funds to the various federal agencies including DoD. The Under Secretary of Defense (Comptroller) provides budget authority to the financial managers of the different services for the purpose of executing the budgets of specific programs. For the purposes of this thesis, the budget authority apportioned to the OASD (HA) will be studied. The budget authority that OASD (HA) receives is used to execute the Defense Health Plan (DHP) in aggregate across the services. BUMED receives Navy medicine allocations from OASD (HA), and sub-allocates budget authority to its sub-claimants (Health Service Support Offices HSOs), and to the two major teaching hospitals at San Diego, California and Portsmouth, Virginia. The final major step in the allocation process takes place when the funds are passed down from the HSO's to the fund administrating activities (i.e., Medical Treatment Facilities (MTFs). Managers of financial resources at each fund administering activity typically provide allowances of budget authority from their operating budgets. Allowances are often issued to cost centers to allow them to carry out operations of the fund administering activity. The allowance normally does not charge the recipient with the Anti-deficiency Act liability discussed in Chapter I, and is only thought of as an administrative rather than a legal limitation. Technically, the

Navy's operating target (OPTAR) is synonymous with the term allowance. The commanding officers and comptrollers of fund administering activities are the only two individuals charged with Anti-deficiency liability at the activity level. The Appropriation Funding Structure is illustrated in Figure 2.1.

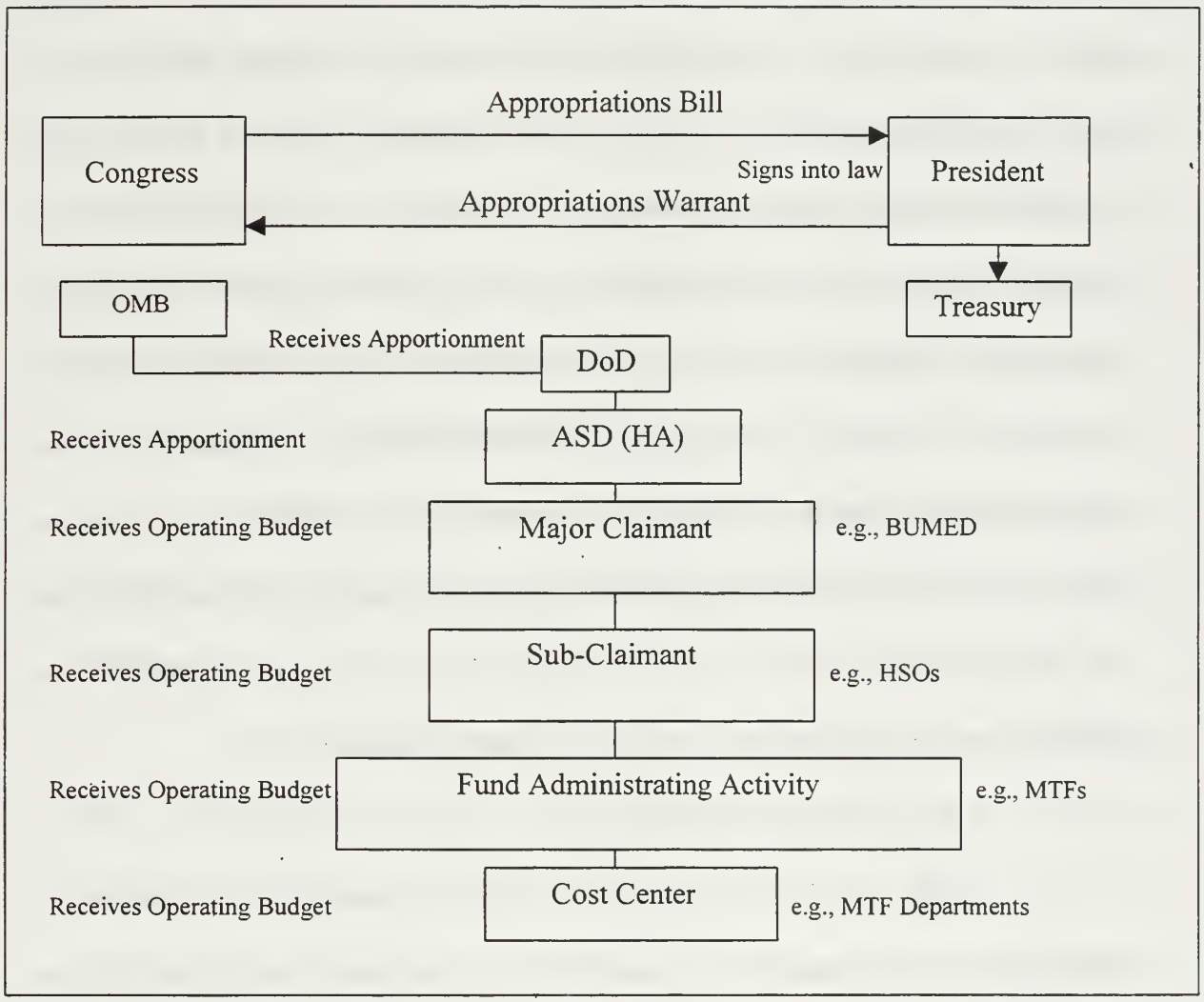

Figure 2.1. Appropriation Funding Structure

2. Budget Execution: Transaction Cycle

a. Accounting Principles

Accounting principles dictate that the field level comply with all statutory requirements and administrative regulations discussed earlier. These requirements are the driving force behind financial management reforms, but reform is not the only reason for their existence. The financial data that are gathered must be viewed as a source of information that will assist in improving the efficiency of the use of resources. Therefore the accounting principles engaged in within Navy medicine are not only employed as a means to document the proper use of allocated resources, but also for providing the data in a way that streamlines the process of managing available funds properly. Budget execution occurs as appropriated funds are spent. Execution follows a four step process as: 1) goods or services are requested and a commitment is made; 2) orders are placed and obligations are acknowledged; 3) goods are received and expenses are recorded, and; 4) payment occurs and expenditures are made.

b. Request/Commitment

The typical accounting transaction cycle starts with a request for materials or services. An order is placed by the end-user on a request form for the item. The request form is usually a standardized requisition or locally developed purchasing document which identifies the requesting activity, the nomenclature of the item, and the estimated cost.

The request is prepared with accompanying accounting data. Accounting data contain the appropriate document number and job order number, (critical elements for the purpose of accurate cost accounting). The transaction for the request is then recorded into the memorandum accounting records maintained at the cost center before being sent to the comptroller office. Once the comptroller receives the purchase requisition, a commitment is entered into the official accounting system (Standard Accounting and Reporting System - Field Level/STARS-FL). A commitment is merely the administrative reservation of funds for the activity once a firm request for procurement has been established. The act of entering into a commitment is to reserve funds for future obligations.

c. Orders/Obligation

After the appropriate number of copies have been made and properly distributed, the original request is forwarded to the contracting office for purchase of the item.

Once the order has been placed for the item by the contracting office, an obligation is entered into STARS-FL. An obligation is a legal reservation of funds or a liability to make a payment in the future. When the obligation has been posted in STARS-FL an account payable and an undelivered order are both automatically created in the official accounting system, and the uncommitted/unobligated balance of budget authority is reduced by the amount of the transaction.

d. Receipt/Expense

Once the material is received and inspected by the activity's Material Management personnel, the receipt document is signed ensuring all purchase requirements are met, and forwarded to the comptroller's office, where it is immediately expensed in STARS-FL.

e. Payment/Expenditure

When the activity receives the invoice for payment from the vendor, it is certified and forwarded to DFAS for payment. At this point DFAS records the expenditure, and the account payable is changed to an expenditure and the undelivered order is erased. Expenditure data are forwarded by DFAS to the Centralized Expenditure and Reimbursement Processing System (CERPS) for reporting to BUMED, OASD (HA), and the Treasury. The accounting transaction cycle is, therefore, a relatively uncomplicated sequence of events used to record commitments, obligations and the expenditure of funds.

3. Overview of Analytical Techniques

The process of budgetary financial accounting and reporting allows OASD (HA) financial managers to track budget execution by comparing DHP financial obligation plans with actual obligations. The obligation plans are initially input into the financial system at the beginning of each fiscal year. After the major claimants receive and distribute budget authority down the chain of command, budget execution occurs. Obligations are rolled up from the cost center level,

tabulated, and provided to OASD (HA) and BUMED monthly from the Defense Finance and Accounting Service (DFAS).

Financial managers in Navy medicine can easily analyze and compare planned and executed obligations through the proper employment of cost accounting schemes.

A detailed look into the various analytical techniques employed within BUMED will be discussed in Chapter V of this thesis. Cost accounting schemes employ either obligation accounting or accrual accounting values and categorize these values into distinct groups. These groups show costs by their location and purpose. The locational framework provides information as to who or what organization within a field level activity was involved in spending the provided resources. In addition to showing costs by location and purpose, cost accounting systems distribute costs to identify the different purposes for which resources were employed. Costs therefore are accumulated by the various functions within an activity. These functions could include areas such as public works, supply, administration etc. Costs are also accumulated in terms of what was bought or consumed with the resources. Examples of this would include resources used to purchase consumable supplies, travel, labor, etc. In short, cost accounting deals with costs incurred in terms of where, at the field level, costs were accumulated and for what specific purpose.

4. Job Order Accounting Structure

The job order accounting structure serves as the foundation for the way costs accrue within Navy medicine. The job order cost system is a precise cost accounting tool used to promote the proper recording and classification of costs. Costs are classified and accumulated through the proper assignment and use of job order numbers. If properly created at the beginning of the fiscal year, each job order will be related to a specific category into which costs will be classified. Job order numbers are structured to provide information as to who has spent funds and for what purpose. They provide details at the Sub-Activity Group (SAG), Functional/Sub-Functional Category (S/SFC) and Cost Account Code (CAC) levels. Before each fiscal year begins a job order number dictionary for the activity is constructed to capture the costs that will be incurred during the upcoming year. When constructing a typical job order number accounting classification codes (ACCs) are used to provide for a uniform system that will accumulate and report accounting information related to the field level activity. Once constructed, the job order number dictionary is entered into the Standard Accounting and Retrieval System (STARS-FL) to accept the data that will tell the story for each field activity.

At the OASD (HA) and BUMED levels, service unique DFAS data are "cross-walked" into a standard DHP object class format so that accumulated obligations can easily be compared and analyzed by DHP resource managers. An

object classification enables the users of financial statements to identify the transactions of the entity by the nature of the goods or services they purchase. These classifications are not agency specific nor do they identify the purpose of the programs for which they were used, but they do contribute to OASD (HA) and BUMED's ability to readily analyze budget execution at their respective levels.

III. INFORMATION SYSTEMS

A. INTRODUCTION

Chapter II provided an overview of the context in which Navy medicine's financial reporting occurs. It described the flow of funds; how budget authority is received, obligated and expended within that framework. The regulatory agencies that furnish guidance for the federal government's financial management systems and a description of their governing standards were discussed. This chapter will include a detailed look at the key systems that are utilized within Navy medicine to accomplish financial budgetary accounting and reporting, and allow management to optimize the resources employed in health care delivery.

As stated in Chapter I, DoD has been undertaking significant financial management reform practices over the last six years. Starting by assigning responsibility for finance and accounting functions to a single agency (DFAS) in 1990, DoD made additional strides to improve its processes by condensing operations down to fewer sites, reducing its workforce, and maintaining fewer automated systems required to perform its finance and accounting mission. This chapter will discuss some of the key Information Technology (IT) programs employed by BUMED and the reports they produce that affect managerial decision making during the budgetary financial accounting process. As financial systems migrate from aged legacy systems, the aim of BUMED is to increase financial management discipline and control, comply with congressional mandates

and head-off potential system hazards caused by the Year 2,000-problem (Y2K). In implementing new IT policies, BUMED has worked to improve aged legacy systems and to merge many of its functions to streamline the management of resources in the midst of extensive organization upheaval and change.

B. FIELD LEVEL (MTF) OFFICIAL REPORTING RESPONSIBILITIES

The organizations involved in field level accounting include the MTF; the DFAS Operating Locations (OPLOCs); DFAS, Cleveland, Ohio; the HSOs (sub-Claimants) and BUMED the major claimant. The MTFs provide financial information to the OPLOCs electronically via the STARS-FL accounting system. The OPLOCs are responsible for processing the financial information input at the MTFs. The financial accounting transactions input into the STARS-FL system at the MTFs are reported directly by the OPLOCs to the major claimant BUMED. The major claimant's responsibility is to ensure that the appropriate information is provided to DFAS Cleveland for further reporting to higher authority.

STARS-FL is the IT system that provides DoD activities with the final output in the form of official accounting reports. Once MTFs report daily transactions via STARS to the OPLOCs, the OPLOCs, in turn, and on a monthly basis, provide the official governmental accounting reports. The Trial Balance Report, the Expense Element Report, and the Standard General Ledger are reported to the shore activity, the Health Service Support Offices, and BUMED as

part of the official budgetary financial accounting process. All three reports will be discussed in detail in Chapter IV.

C. BUMED INFORMATION SYSTEMS

In governmental budgetary financial accounting, the status of budget authority is tracked and reported during budget execution. During this process, reporting occurs by appropriation as well as by the various categories within appropriations. The objective at the MTF level is to effectively and efficiently control appropriation spending while carrying out each specific program. As funds are expended according to budgetary objectives, they are tracked and reported to all responsible parties in the fund's financial chain of command. This section discusses the IT systems BUMED uses to provide healthcare managers and providers with the latest budgetary information available in the course of managing healthcare resources, and patient services. The systems are designed to capture essential financial, workload, and manpower resource data, to analyze and report on current trends in program operations throughout the BUMED claimancy. The Naval Medical Information management Center (NMIMC) maintains oversight over the systems that manage, track and distribute the Bureau's clinical and operational resources.

1. STARS-FL

The Standard Accounting and Reporting System/Field Level is the pre-dominant accounting systems used throughout Navy medicine for official

budgetary financial accounting and reporting. The chief accounting reports generated from accounting transactions into STARS-FL include the Trial Balance Report (NC 2199), the Expense Element Report (NC 2171), and the Standard General Ledger. These official reports are used extensively by financial managers within the BUMED chain of command to track the status of budget authority. These official accounting reports are used to determine both Anti-deficiency Act and Misappropriation Act compliance. STARS-FL also produces reports that do not carry Anti-deficiency or Misappropriation Act statutory liability. These reports such as the Uniform Management Report (UMR) and the Cost Center Expenditure Report are provided as management tools to enhance MTF operations. (The UMR is used extensively throughout Navy medicine and will be discussed in detail in this chapter.) In efforts to streamline the financial management process, BUMED has undertaken many automated information system reform initiatives throughout the last decade. The resource management IT systems that have been created as a result of these initiatives either interface directly with STARS-FL, or are integrated with other systems that do.

2. MEPRS

"The purpose of the Medical Expense and Performance Reporting System for DoD Medical Operations is to provide a uniform healthcare cost management system for the Department of Defense." (DoD Instruction 6010.13) The MEPRS

concept combines the tracking of both manpower resources and financial expenses to create efficiencies in resource utilization.

Congress, in the mid-1970s, wanted to be capable of comparing the medical manpower needs across the military services, so it urged DoD leadership to develop and utilize uniform standards to enable it to better determine medical manpower requirements. In the early 1980s, OASD (HA) worked with pertinent DoD medical manpower specialists to develop and implement a Uniform Standards Management (USM) system to better manage its human resources. Additionally, OASD (HA) and comptrollers of the Military Services' major claimants developed a Uniform Chart of Accounts (UCA) to better track expenses incurred within military healthcare facilities. Inefficiencies occurred operating the two systems separately, and made clear the need to merge the data capturing functions.

Under the direction of OASD (HA) and in conjunction with tri-Service manpower and comptroller personnel, preparation began to merge the two systems. In the fall of 1985 the merger was completed. "Today, MEPRS provides specific, uniform performance indicators common expense classifications by work centers, and a cost assignment methodology." (DoD Instruction 6010.13) MEPRS is standardized among MTFs DoD-wide. Used within Navy medicine, MTF management personnel view MEPRS as a critical financial management tool

used to evaluate managed care alternatives by providing ample expense, manpower and workload data across work centers within each facility.

3. EAS IV

The Expense Assignment System IV is an IT management mechanism that interfaces with, and allows the MEPRS to provide standardized workload, expense, and manpower data reports for each MTF. It provides MTF commanders with an expansive array of resource management activities to include a Product Line Costing (PLC) feature. This IT tool allows MEPRS to accurately determine workload, and manpower expenses down to the cost center level as well as at product levels. EAS IV creates MEPRS reports that contain sufficient cost detail to allow management to:

- Evaluate managed care options;
- Determine fixed and variable costs;
- Calculate marginal costs for health care services;
- Strengthen third party reimbursement efforts; and:
- Help to analyze variations in patterns of treatment regimes among health care providers. (NMIMC EAS IV Project Web Page)

4. CHCS

The Composite Health Care System is a patient and facility management data communications tool that encompasses the functions of six previously utilized automated information systems within DoD MTFs. CHCS integrates the data collection process for myriad functions of health care delivery, to include patient

care services and MTF administration. It provides world-wide automated medical information support to all MTFs in supplying comprehensive, health care services to uniformed service personnel, their family members and retired beneficiaries. CHCS is a system that deploys medical data processing that assists health care providers and administrators in the management and delivery of the continuum of care. Healthcare delivery costs are accumulated in CHCS through the use of modules.

> CHCS modules include: patient registration, admission, disposition, and transfer, inpatient activity documentation, outpatient administrative data, appointment scheduling and coordination (clinics, providers, nurses, and patients), laboratory orders (verifies/processes), drug and lab test interaction, quality control and test reports, radiology orders (verifies/processes), radiology test result identification, medication order processing (inpatient/outpatient), medicine inventory, inpatient diet orders, patient nutritional status data, clinical dietetics administration, nursing, order-entry, eligibility verification, provider registration, and the Coordinated Care Program. (CHCS homepage)

5. TPOCS

The Third Party Outpatient Collection System is a module incorporated within CHCS and serves as an improvement in technology that enhances both inpatient and outpatient care. It is the means by which MTFs identify, record, bill, and collect for the costs incurred from providing inpatient and outpatient care. "All medical treatment facilities must implement an aggressive program to ensure that an effective mechanism is in place for identifying, recording, billing and

collecting reasonable costs for inpatient and outpatient care". (BUMEDNOTE 7300 of 29 January 1992)

6. DCPS

As recently as 1997, Navy medicine has incorporated the Defense Civilian Pay System to carry out the payroll function of its government civilian employee workforce. DCPS is now the standard civilian pay system used throughout DoD. Until DCPS was adopted by Navy medicine, all financial transactions for the civilian payroll function were entered manually by MTF accounting technicians directly into STARS-FL. DCPS now streamlines the pay function by maintaining the records of all DoD civilian employees with respect to accrued pay and leave, withholdings, time and attendance, and other civilian personnel data. By implementing DCPS throughout DoD, DFAS has been allowed to eliminate 26 payroll systems and close 349 payroll offices. As of May 1998, all DoD civilian employees are paid by functions of the system. DFAS services these employees who are currently paid by three DFAS payroll offices supporting the system. These offices are located in Denver, Colorado, Pensacola, Florida, and Charleston, South Carolina. MTFs must now only maintain civilian employee Customer Service Representatives (CSRs) who are responsible for timekeeping entries into the system and for providing customer services for the civilian workforce. All other functions are accomplished at the three payroll offices. Multiple accounting systems interface with DCPS through the receipt of one, or a combination of

various, standard accounting interface files. Once interface files are created, they are then electronically transmitted to the appropriate agency level or departmental accounting system. Civilian payroll accruals for Navy medicine are transmitted into STARS-FL and reflected in the official accounting records. (DFAS Webpage)

7. SPMS

The Standard Personnel Management System is a BUMED on-line menu driven program that provides critical manpower, education and training, mobilization planning, and expense distribution support functions. It allows MTF commanders and headquarters personnel to use automation to interact when planning personnel functions in the areas of staffing, education and training, mobilization, and expense distribution.

> The system standardizes and automates data collection and management in each of the five functional areas included in four modules: Manpower, Education & Training, MML (MEPRS Military Labor), MPAS (Medical Personnel Augmentation System). These four modules are deployed to approximately 413 Navy medical, dental, and non-medical treatment facilities, of which 76 are core (parent) commands. There are several versions of the MPAS (Readiness) module. (NMIMC SPMS Web page)

SPMS also serves as the principal financial data input system to MEPRS and the official Navy accounting system, STARS-FL. Through the use of this multi-user-networked application, BUMED enjoys quick and efficient information processing times. Because of delays incurred in the deployment of the Defense

Medical Human Resources System (DMHRS), BUMED commands will continue to employ usage of SPMS until ultimately replaced by DMHRS.

8. DMHRS

Serving as an upgrade to the SPMS, DMHRS will operate as a DoD-wide migration system initiative that will function as a solitary, integrated management tool linking key management areas of Navy medicine. Users of DMHRS will be able to analyze trends in force readiness, personnel management, patient acuity and workload management, labor cost assignment, scheduling, and training. "Once established, DMHRS will operate in a networked client/server environment at designated DoD Military Health System (MHS) Activities." (DMHRS FD 2.2) DMHRS is designed to reduce duplication of effort in data entry by interfacing with assorted DoD and BUMED-unique systems. Predicted efficiencies realized through the implementation of DMHRS include an improvement in the quality and timeliness of currently supplied data. Additionally, eliminating the duplication of efforts in data entry will lead to more cost-efficiencies in MHS daily operations. Ultimately, it is hoped that the planned technology integration that DoD and Navy medicine will enjoy once DHMRS is employed will achieve the attainment of higher-quality clinical outcomes, reductions in health care delivery costs, and improved management processes. DHMRS will be the primary source for the input of financial data into MEPRS and STARS-FL once it supersedes SPMS.

9. DEERS

DEERS is a congressionally mandated program designed to confirm eligibility for medical benefits for family members of armed forces personnel. Beneficiaries enroll into the DEERS system through a database maintained by a mainframe that records family member information. Individuals are enrolled into DEERS at U.S. Military ID Card issuing offices (Personnel Support Departments).

10. EIS

Maintained by BUMED, the Executive Information System furnishes both precise and timely information for claimancy executives, allowing them to make significant decisions dealing with the distribution of the financial and human resources. The EIS system achieves this by keying in on established BUMED business functions previously identified as critical success factors for successful management of Navy health care delivery operations. "The EIS incorporates the standard performance measurements defined by BUMED, which will be used to indicate successful resource allocation, as well as identifying probable areas for resolution." (EIS Project Web Page)

The EIS also contains a Managed Care Query Application (MCQA) module that illustrates itemized information relating to the health care benefits program (TRICARE), Direct Care and Defense Eligibility Enrollment Reporting System (DEERS) information by catchment area or MTF locale. EIS also provides detailed information relating to budget planning and fund obligation by AG, SAG,

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and EoE, through the use of the Three-Year Obligation and Plan Status (TOPS) module.

11. CEIS

The Corporate Executive Information System (CEIS) was identified by the OASD (HA) as a Tri-service system that will integrate available executive information support needs across the MHSS. The chief purpose of CEIS is to provide accurate and useful information to MTF commanders, Lead Agents, major claimants and OASD (HA). In September 1994, the OASD (HA) concluded MHS Automated Information System (AIS) plan and submitted it for approval to the Deputy Secretary of Defense. The plan revealed the selected legacy, migration, and target systems, favored by the AIS Review Board. This process identified CEIS as one of the selected target systems. In October 1994, the Principal Deputy Assistant Secretary of Defense for Health Affairs tasked the Military Services' Surgeons General with submitting proposals for the selection of an Executive Agent (EA) for the CEIS program. After review of the proposals, the Army was named as EA for the CEIS. The CEIS EA provides consistent management information to decision-making executives at the MTF, claimancy, and OSD levels. Key characteristics of CEIS are that it provides executive decision support information across the entire MHS. It does so by utilizing the data gathered from standardized systems listed above. It consolidates legacy systems into an individual authoritative and consistent system source, thus improving the

functionality, applicability and versatility of legacy systems. Until full implementation takes place in December 1998, current legacy systems will remain in place to ensure a smooth transition to CEIS. (NMIMC CEIS Project Web page)

D. BUMED GENERATED REPORTS

1. The Uniform Management Report (UMR)

The UMR is a report generated from STARS-FL that allows MTF financial managers to compare its planned expenditures with actual budget execution. The MTF's civilian and military manpower costs, as well as the expenses incurred from processing work units accrue and are reported. As transactions occur at the field level they are entered into STARS-FL for the purposes of budgetary financial accounting. Costs accrue to the various SAGs, F/SFCs, cost centers, sub-cost centers cost account and expense element. This gives management a detailed description of the types of costs occurring in specific functional programs within their activity. By reporting this information, the UMR allows managers to judge the accuracy of the planned expenses for various programs, and to identify areas of cost overruns and potential causes of Anti-deficiency Act violations.

2. RUMR

The Redistributed Uniform Management Report brings together data entered into STARS-FL at the field level, and formulates it into a user-friendly setting. It is a simple to use, management search tool used to review costs, workload and man-hours, at various levels of the field activity. It should be used

together with other available reports and data to streamline management activity's finances. The data are then redistributed back to the field level activity managers for review of budget execution. The RUMR will be superseded by the Summarized Medical Analysis Research Tool (SMART).

3. TOPS

The TRICARE Operational Performance Statement is a quarterly measurement report used as a tool to analyze TRICARE management activities. TOPS is used by BUMED executives to evaluate the performance of the Military Health System relative to previously stated goals in Military Health Services strategic plan. (BUMED Home Page)

4. AWARE

A report generated by the EIS system, the Annual Work and Resource Evaluation application is a primary component to Navy medicine's overall accounting system. Managed directly at the claimancy headquarters by BUMED Code 01, AWARE provides population demographics, workload information, and tracks the medical costs connected to individual MTFs. AWARE is an essential part of EIS, yet when EIS is upgraded to the Corporate Executive Information System (CEIS), AWARE will not migrate. Rather, functionality will be recorded in the SMART. (NMIMC CEIS Project Web Page)

5. SMART

The purpose of the Summarized Medical Analysis Research Tool is to improve upon the management's ability to track, evaluate and analyzing financial resources. It provides advanced data retrieval and trending capabilities that are aimed to enhance the study of business practices and peer group comparisons within Navy medicine. SMART will allow for the examination of infrastructure costs at levels previously unavailable for analysis with RUMR. (Summarized Medical Analysis Research Tool Manual)

Figure 3.1 illustrates how the various DFAS and BUMED systems are integrated to produce financial reports for management analysis.

E. Y2K SYSTEMS MANAGEMENT ISSUES

The Y2K problem describes the possible worldwide malfunction of information technology (IT) systems before, on, or after January 1, 2000. This possibly catastrophic scenario exists because of the practice of IT system programmers placing two digits, rather than four, to represent the year in computer hardware, software, databases and microchips. Complications can arise if, in the Y2K, systems are unable to distinguish between Y2K and the year 1900 when processing information.

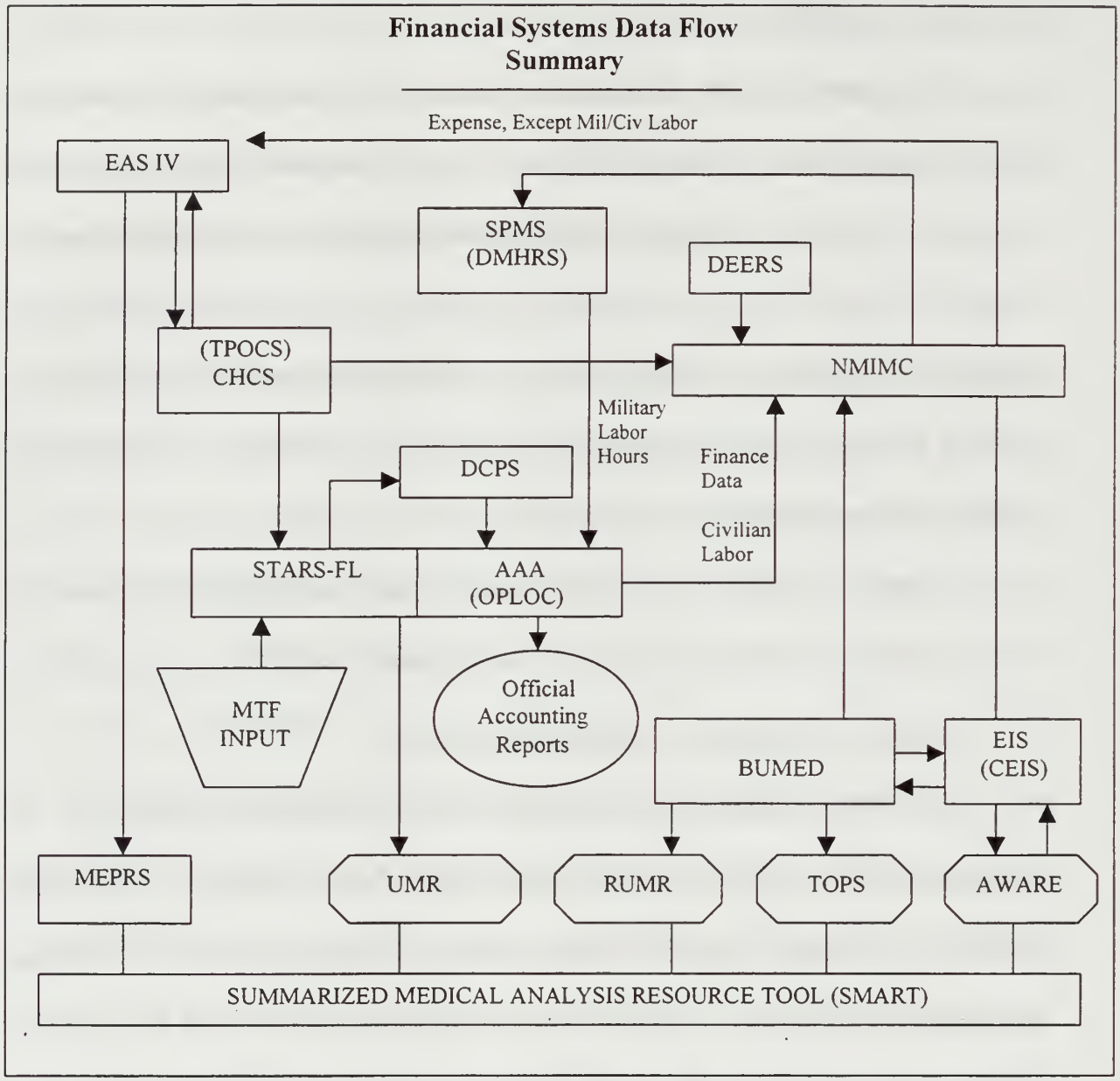

Figure 3.1 Financial Systems Data Flow Summary

To prevent DoD IT systems from experiencing such problems, senior DFAS management has made solving the Y2K problem a priority. Initiatives dealing with Y2K issues began as early as 1991, stating that all DFAS systems were to be within compliance by March 1999. To be Y2K compliant, DoD IT system managers must ensure that

> the information technology accurately processes date/time data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries, and the years 1999 and 2000 and leap year calculations, to the extent that other information technology, used in combination with the information technology being acquired, properly exchanges date/time data with it (48 CFR Part 39.002).

On October 21, 1997, the Federal Acquisition Regulation (FAR) established item XIV to increase awareness of Year 2000 procurement issues for information systems. It was designed to ensure that information technology products procured for use by the federal government after December 31, 1999 be capable of successfully processing date related data into the 21st century. In addition to ensuring that solicitations and contracts contain Year 2000 compliant technology, it directs that currently employed non-compliant information technology be upgraded to become compliant in a timely fashion.

The overall goal is to guarantee that no system is adversely affected by Y2K problems. One of the major system level initiatives is contingency planning. Contingency plans are being written for all systems that are considered mission critical and for those that feed a mission critical system. Contingency plans are additionally being drafted to include core or core support business processes.

OASD (HA) created a Year 2000 Integrated Product Team (Y2K IPT), which is responsible for ensuring Y2K program success, strategically applied guidance, program assessment, business area leadership, inter-business area coordination, and issue resolution for issues or concerns elevated by sub-tier

Business Area Y2K IPTs. (OASD HA Web-page) The Y2K IPT will implement a comprehensive plan of action across the services for finding and fixing Y2K problems and testing by December 1998.

Within BUMED, the Naval Medical Information Management Center (NMIMC) provides IT in support of Navy medicine's commitment to the delivery of quality patient care. NMIMC's core mission is to develop, test, and disseminate quality IT prioritizing the enhancement of patient care. NMIMC's answer to the Y2K problem is the implementation of Project Tumbleweed. The project seeks to obtain both a 100% inventory of all deployed workstations (PC) and servers, as well as to make a Y2K assessment for each. (NMIMC Project Tumbleweed Web Page)

IV. BUDGETARY FINANCIAL REPORTS USED IN NAVY MEDICINE

A. INTRODUCTION

The flow of financial budget authority was discussed in Chapter II. The discussion additionally explained accounting principles that occur during the transaction cycle and revealed how budget authority is obligated and ultimately reported within the financial management chain of command. Chapters II and III alluded to the fact that both 'in-house'/unofficial, and official statutory financial reports are used by financial managers to track budget execution and analyze how closely it mirrors the budgeted plan. This chapter will analyze the primary official financial reports that are issued by the DFAS' OPLOCS and scrutinized by financial managers. This chapter is broken down into two sections. The first section will discuss the appropriations managed by Navy medicine, explain their purposes, and summarize how budget execution for each one is reported. The second section will explain and interpret the actual budgetary financial accounting reports used in Navy Medicine.

B. APPROPRIATIONS

Chapter II explained how the Navy receives its financial resources in the form of appropriations approved by Congress. Navy medicine primarily conducts operations utilizing four congressional appropriations. This section of the chapter will discuss those appropriations. The first part of this section will list the different appropriations and describe what each is used for. The following parts of

this section will show how they are categorized into two basic classifications, and discuss how their execution status is reported.

1. Appropriations Defined

This segment lists the appropriations typically provided to BUMED by Congress along with a description of their purpose.

a. List of Appropriations

Congress provides four major appropriations to Navy medicine. A list of all four is provided below:

- Operations and Maintenance, Navy (O&MN)
- Operations and Maintenance, Naval Reserve
- Reserve Personnel, Navy
- Other Procurement, Navy

b. Appropriation Descriptions

(1) O&M,N. The O&MN appropriation is the primary source of budget authority for BUMED, as it is for most bases and installations Navy-wide. It provides the financial resources needed to carry on day to day operations. It includes funding for the following types of operations:

- civilian personnel,
- temporary additional duty (TAD) travel,
- maintenance of real property,
- utilities,
- materials and supplies, etc.

(2) Operations and Maintenance, Naval Reserve. The O&M, Naval Reserve appropriation serves the same purpose of providing the necessary financial resources to carry out the day to day operations for BUMED's reserve component.

(3) Reserve Personnel, Navy. The purpose of this appropriation is to finance the cost of reserve personnel for military pay, clothing, subsistence Permanent Change of Station (PCS) etc.

(4) Other Procurement, Navy. The OPN appropriation finances the acquisition, production and the modernization of, equipment that exceeds the O&M,N procurement threshold of $100,000.

c. Appropriation Categories

Appropriation types can be divided into two categories; expense and investment. The first category is expense-type appropriations, which finance the cost of ongoing operations like the O&M,N, O&M,NR, and RPN appropriations. The obligation period for these expense-type appropriations is one year. The second category of appropriations used is for investing, as opposed to carrying out ongoing operations. Investment appropriation obligation time periods are greater than one year. The OPN appropriation managed by BUMED is an example of this type, where BUMED primarily budgets and obligates for the procurement of investment equipment.

C. BUDGET EXECUTION REPORTING

There are six official financial reports utilized by BUMED to report budget execution to higher authority. Three of these reports are used at the field level MTFs, while the other three are used at the claimancy level. The primary reports utilized at the field level are:

- NAVCOMPT 2199 Trial Balance Report
- NAVCOMPT 2171 Expense Element Report
- SGL Standard General Ledger

These reports are generated from STARS-FL.

The three reports utilized at the service level are:

- DD 1176 Report on Budget Execution
- Statement of Financial Position
- Statement of Operations & Changes in Financial Position

The Assistant Secretary of the Navy (Financial Management and Comptroller), ASN (FM&C), generates the DD 1176 on a monthly basis. The ASN (FM&C) maintains responsibility for the Navy's financial reporting.

These six reports, four generated by OPLOC (for field level activities) and two by DFAS, Cleveland (for service level reporting), will be discussed in the following sections of the chapter. The following sections of this chapter will describe each of the six reports listed above as they pertain to Navy medicine's financial reporting model. (DoDFMR Vol. 6A)

D. FIELD LEVEL (MTF) REPORTS

1. The Trial Balance Report (NC 2199)

The NC 2199 is the widely used official accounting report used within the Navy's field level activities. It reports financial information for expense-type appropriations such as O&M, N, O&M, NR and RPN. The Trial Balance Report has traditionally been "the foundation from which all other reports are generated and provided to higher authority." (Financial Management of Resources (NAVSO P-3013) 1982. As it is the official tool which determines Anti-deficiency Act compliance, it is considered the 'checkbook' for the MTFs. The NC 2199 provides the following information: authorizations received, obligations created, and the remaining fund balance. It reports this information using the following equation:

Assets = Liabilities + Investments + Income - Expenses.

The NC 2199 is equipped with the following headings:

- Account Number and Title
- Balances Prior Month
- Balances Current Month
- Changes for the Period or (New Balance)

The primary divisions in the report are Assets, Liabilities, Investments, Income, and Expenses. Each division is assigned a numerical account series,

which identifies each type of any particular General Ledger Account (GLA). The following is a list of the account series within each heading:

Account	Account Series
Assets	1000-1999
Liabilities	2000-2999
Investment	3000-3999
Income	4000-4999
Expense	5000-5999

The NC 2199 also maintains a series of statistical accounts in the 0900-0999 range, as well as memorandum/budgetary accounts ranging from 9000 to 9999. These accounts are used by the MTF's financial managers for informational purposes, and do not accrue to the balance sheet equation. (Financial Resources Guide, NAVMED P-5020)

2. Standard General Ledger

Required for use by the OMB across DoD components for the first time in October 1996, the Standard General ledger attempts to standardize accounting and reporting within the federal government. (DoDFMR Vol. I). The primary purpose for its introduction as a budgetary financial reporting tool was to streamline the input of accounting transactions at the field level for incorporation into the newly mandated Chief Financial Officer's Act Financial Statements discussed in detail later in section E of this chapter. It contains accounts for recording transactions into the accounting records including accounts for assets, liabilities, equity,

revenue, expenses, and budgetary activity. Although the SGL is very similar to the NC 2199, it provides more account detail and is designed so that field activity level balance sheets can be rolled into the Navy's balance sheet. The general ledger is the highest level of summarization within the system. It provides financial accountability for budgetary resources, stewardship over assets, tracking of cash/fund resources, and control of costs. It also maintains account balances by fund structure and general ledger accounts. An explanation of the SGL structure follows:

- Assets (1000). Assets account for both physical (tangible) items as well as rights to ownership (intangible).
- Liabilities (2000). Liabilities reflect amounts owed by the field activity level. These are similar to accounts payables and accrued liabilities.
- Equity (3000). Equity represents the difference between assets and liabilities.
- Budgetary (4000). Budgetary accounts represent budgetary operations and conditions from the time appropriations are realized until they are expended. This includes amounts remaining in the appropriation, commitments, undelivered orders, and paid and unpaid expenditures.
- Revenue (5000) Revenue is the amount of offsetting collections resulting from services performed, goods and tangible property delivered to purchasers, interest and penalties. Reimbursements are also included in revenue.
- Expenses (6000) Expenses are outflows of assets or incurrence of liabilities during a period resulting from ordering services, delivering or producing goods, or carrying out other normal operating activities. It also represents expenses for the year to date operation and is broken down into categories of expense types or elements.

Expenses may include rents, communications, supplies, and annual leave for military and civilian labor.

The SGL account structure allows for consideration of both the proprietary accounting model and budgetary accounting model. The proprietary accounting model utilizes the following account series:

- Assets (1000)
- Liabilities (2000)
- Equity (3000)
- Budgetary (4000)
- Revenue (5000)
- Expenses (6000) and;
- Gains and Losses (7000)

The budgetary accounting model is strictly concerned with the Budgetary (4000) series accounts. The total of the budgetary accounts will always equal zero. This is due to the fact that the budgetary accounts are the accounting transactions needed to track and control budgetary resources and status of those resources. (U.S. Government Standard General Ledger Chart of Accounts)

3. Expense Element Report (NC 2171)

The NC 2171 is a cost accounting tool that MTF financial managers use to determine incurred obligations and expenses according to location and purpose. Cost accounting schemes employ either obligation accounting or accrual accounting values and categorize these values into these two distinct groups. This

framework provides information as to which functional program (location) within a MTF is involved in spending the provided resources. In addition to showing costs by location and purpose, the NC 2171 shows the categories of supplies or services being purchased.

Example:

Level Code	Code	Code Meaning
Sub-Activity Group (SAG)	M9	Station Hospitals
Functional/Sub-Functional Category (F/SFC)	YV	Orthopedics
Expense Element (EoE)	T	Consumable Supplies

The preceding example would indicate that costs for an MTF's Orthopedics department would accumulate on the NC 2171 under the headings for M9/YV by the various Expense Elements used during operations. The location of obligations is identified on the NC 2171 by F/SFC. In the preceding example F/SFC YV would signify costs for Orthopedics. The purpose of the expenditure of funds is for the purchase of consumable supplies. In short, the NC 2171 report identifies costs that occur in terms of where at the field level costs accumulates, the specific purpose, and what types of items were procured. The NC 2171 provides detailed information to BUMED regarding accrued expenses and gross adjusted obligations for the current month and the fiscal year to date. Costs accrue in the report to the various Sub-activity groups (SAG); Functional/Sub-functional categories (F/SFC); and expense elements (EoE) used at the activity, by subhead.

The five major headings in the NC 2171 are:

1. SAG
2. SFC
3. EoE
4. Expenses
5. Gross Adjusted Obligations

The expense and gross adjusted obligation sections are sub-divided to provide current month and fiscal-year-to-date totals. (STARS-FL Manual)

E. SERVICE LEVEL REPORTS

1. Background

This section will detail the financial reports used for service level reporting. As a Major Claimant, BUMED is required to provide budget execution information to the ASN (FM&C), who receives this data in a complete, compiled format along with results of other major commands. The ASN (FM&C) receives this information in the form of a monthly DD 1176 from DFAS, Cleveland, which contains the sum total of the financial accounting from the Major Claimants. Major claimants and other major commands submit this financial information via STARS-FL, to DFAS, Cleveland. By utilizing STARS-FL, DFAS, Cleveland is able to extract the needed data from the OPLOCs who service the major claimants.

The Statement of Financial Position and the Statement of Operations and Changes in Net Position are the official financial statements born out of the

statutory requirements set forth by the CFO Act of 1990 and, expanded upon by the GMRA of 1994. At the DoD level, they are the compilation of the service's special financial statements, which reflect all material financial transactions affecting federal agencies. BUMED submits to higher authority its CFO financial statements, reporting its financial position and its results of operations. The reports are key to the budgetary financial management process, as they ultimately furnish information with which Congress, agency managers, the public, and other interested parties can assess management performance and stewardship.

2. Report on Budget Execution (DD 1176)

The Report on Budget Execution (DD 1176), is a monthly fiduciary report that provides information on appropriation status by fiscal year (Financial Management Regulation, 1996). This same report is distributed monthly to the Under Secretary of Defense (Comptroller) (USD C); quarterly to the Office of Management and Budget (OMB), and is certified annually for the Treasury. The headings of the report are by fiscal year, for the life of the appropriation. The major sections of the report include: Budgetary Resources, Status of Budgetary Resources, Relation of Obligated Disbursements, Obligation Balance (Net) - End of Period, and Total Accrued Expenditures. The report has four major sections with subcategories:

*	Budgetary Resources (Authority)	Authority and Balance of Funds
*	Status of Budgetary Resources (Status)	Further explanation of Budgetary Resources
*	Relation of Obligations	Information on a Balance Brought Forward or Funds Transferred
*	Obligation Balance (Net) (End of Period)	End of Period Balance or Status

One can ascertain from the information provided on the DD 1176 that it provides a "status" of authority for the user, along with supporting numbers for that status.

The objective of the report is to provide the user an aggregate status of an appropriation, for the life of the appropriation. The users of the report are ASN (FM&C), OMB, the Treasury, and ultimately, Congress.

3. Statement of Financial Position

BUMED presents a Statement of Financial Position to higher authority for each appropriation under its perview, from the records of its field level activities, in accordance with the DoD Financial Management Regulation Volume 6B, as adopted from Office of Management and Budget Bulletin No. 97-01, "Form and Content of Agency Financial Statements." Account balance information is extracted from the STARS-FL produced NC 2199s or SGLs. The financial data from the BUMED statements roll up into the final audited Statement of Financial Position of the reporting entities, (DoN and DoD respectively). The BUMED

statements therefore, are different from the financial reports, also prepared by the DoD pursuant to OMB directives that are used to monitor and control DoD's use of budgetary resources. (DoDFMR Chapter 10).

The format for BUMED's Statement of Financial Position contains the following categories and sub-categories:

ASSETS

1. Entity Assets:
    a. Transactions with the Federal (Intragovernmental) Entities:
        (1) Fund Balance with Treasury
        (2) Investments, Net
        (3) Accounts Receivable
        (4) Interest Receivable
        (5) Advances and Prepayments
        (6) Other Federal (Intragovernmental)
    b. Transactions with Non-Federal (Governmental) Entities
        (1) Investments
        (2) Accounts Receivable, Net
        (3) Credit Program Receivables/Related
        (4) Interest Receivable, Net
        (5) Advances and Prepayments
        (6) Other Non-Federal (Governmental)
    c. Cash and Other Monetary Assets
    d. Inventory, Net
    e. Work in Process
    f. Operating Materials/Supplies, Net
    g. Stockpile Materials, Net
    h. Seized Property
    i. Forfeited Property, Net
    j. Goods Held Under Price Support and Stabilization Programs, Net

k. Property, Plant and Equipment, Net

l. Other Entity Assets

m. Total Entity Assets

2. Non-Entity Assets

a. Transactions With Federal (Intragovernmental) Entities:

(1) Fund Balance with Treasury

(2) Accounts Receivable, Net

(3) Interest Receivable, Net

(4) Other

b. Transactions With Non-Federal (Governmental)

(1) Accounts Receivable, Net

(2) Interest Receivable, Net

(3) Other

c. Cash and Other Monetary Assets

d. Other Non-Entity Assets

e. Total Non-Entity Assets:

3. Total Assets:

LIABILITIES

4. Liabilities Covered by Budgetary Resources:

a. Transactions with Federal (Intragovernmental) Entities

(1) Accounts Payable

(2) Interest Payable

(3) Debt

(4) Other Federal (Intragovernmental) Liabilities

b. Transactions with Non-Federal (Governmental) Entities:

(1) Accounts Payable

(2) Accrued Payroll and Benefits

(a) Salaries and Wages

(b) Annual Accrued Leave

(c) Severance Pay and Separation Allowance

c. Total Liabilities Covered by Budgetary Resources:

5. Liabilities Not Covered by Budgetary Resources:

a. Transactions with Federal (Intragovernmental) Entities:
   (1) Accounts Payable
   (2) Debt
   (3) Other Federal (Intragovernmental) Liabilities
b. Transactions with Non-Federal (Governmental) Entities:
   (1) Accounts Payable
   (2) Debt
   (3) Lease Liabilities
   (4) Pensions and Other Actuarial Liabilities
   (5) Other Non-Federal (Governmental) Liabilities
c. Total Liabilities Not Covered By Budgetary Resources

6. Total Liabilities:

NET POSITION

7. Balances:
   a. Unexpended Appropriations
   b. Invested Capital
   c. Cumulative Results of Operations
   d. Other
   e. Future Funding Requirements
   f. Total Net Position
8. Total Liabilities

4. Statement of Operations and Changes in Net Position

The Statement of Operations and Changes in Net Position reports the beginning net position, the items which caused net position to change during the reporting period, and the ending net position. BUMED displays information on its Statement of Operations and Changes in Net Position for each appropriation under its purview, for incorporation into the DoN and DoD Statements of Changes in Net Position per the DoDFMR Volume 6B, Chapter 6.

The report's major sections are as follows:

REVENUES AND FINANCING SOURCES

1. Appropriated Capital Used
2. Revenues from Sales of Goods and Services
   a. To the Public
   b. Intragovernmental
3. Interest and Penalties, Non-Federal
4. Interest, Federal
5. Taxes
6. Other Revenues and Financing Sources
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies
8. Total Revenues and Financing

EXPENSES

9. Program or Operating Expenses
10. Cost of Goods Sold
    a. To the Public
    b. Intragovernmental
11. Depreciation and Amortization
12. Bad Debts and Write-offs
13. Interest
    a. Federal Financing Bank/Treasury Borrowing
    b. Federal Securities
    c. Other
14. Other Expenses
15. Total Expenses
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items
17. Plus (Minus) Extraordinary Items
18. Excess (Shortage) of Revenues Financing Sources Over Total Expenses

19. Net Position, Beginning Balance, as Previously Stated
20. Adjustments
21. Net Position, Beginning Balance, as Restated
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses
23. Plus (Minus) Non-Operating Changes
24. Net Position, Ending Balance

5. Financial Statement Notes

Notes to the financial statements are used to synopsize the accounting principles and the manner of applying them that management has used in reporting the entity's significant assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. DoD and DoN disclose their accounting policies to describe the accounting procedures followed in preparing the financial statements, and report the methods in which those principles were applied. Disclosures are comprised of important judgments as to valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. (DoDFMR Volume 6B, Chapter 10) The details presented in the notes to the financial statements do not duplicate any previous disclosure of accounting policies.

F. SUMMARY

This chapter discussed the appropriations managed by BUMED, and provided an explanation of their purpose. A discussion of the various financial reports used in Navy medicine was furnished to introduce the reader to their

various formats, and to explain the manner in which budget execution totals for each are displayed for management utilization. This chapter differentiated between the field level and service level financial accounting reports used in Navy medicine, and explained how their content rolls up into the audited financial statements of DoN and DoD as required by governmental reform initiatives.

V. EVALUATION OF FINANCIAL REPORTING IN NAVY MEDICINE

A. INTRODUCTION

This chapter will analyze and evaluate the current state of budgetary financial reporting in the Navy medicine, and how that current state is reflected on the audited DoD financial statements. Chapters I and II discussed the federal government's recognition of the need to improve financial management operations and provided background information on the various standards imposed by Congress and regulatory agencies. Chapter III discussed the key financial systems employed by DFAS and BUMED that contribute to managerial decision making processes by producing BUMED specific reports which assist in exercising effective control over the financial operations of the claimancy. Chapter IV identified the official accounting reports produced by DFAS that summarize how BUMED's budget execution is reported for each appropriation per reporting period.

This chapter will complete the investigation part of the thesis by evaluating current budgetary financial reporting within Navy medicine. The first part of the chapter will analyze the effectiveness with which the systems employed by DFAS and BUMED contribute to federal financial management reform. The second part of this chapter will evaluate the effectiveness of the reports generated from the BUMED financial management systems discussed in Chapter III. The reader

should note that these reports differ from the official audited reports discussed in Chapter IV, as they have no official audit requirements affixed to them. Rather, they are heavily relied upon throughout the claimancy to provide timely and accurate information for the purpose of enhancing management decision making processes geared towards optimizing the allocation of health care delivery resources. The last part of the chapter evaluates the effectiveness of the current official budgetary financial reporting in Navy medicine. The criteria for the evaluation of the systems and reports are based on well-defined guidance set forth by legislative and regulatory authorities.

B. EVALUATION OF DFAS AND BUMED MANAGED FINANCIAL SYSTEMS

1. Organizational Responsibilities

DoD financial management reforms aim to streamline and redesign DoD financial processes and organizations in order to make them optimally effective and to cut costs. Reforms also seek to ensure that financial management fulfills the needs of its leaders, satisfies statutory requirements and provides superior customer service. DoD as a whole, and functional managers in particular need better financial information to conduct their operations. Department managers have historically had difficulties in adequately capturing the costs of their specific activities. One reason for this difficulty is that, "Departments' non-financial systems e.g., acquisition, logistical, medical, and other processes and systems, designed to fulfill important management functions, have not done a good job of

capturing and reporting financial data to the Chief Financial Officer community." (DoD Reform Information Paper) If the financial systems used by DFAS and BUMED are to contribute to governmental reform efforts, they must be in compliance with the guidance set forth by higher authority. The CFO Act of 1990 specifically requires federal agencies like DFAS, to maintain a core integrated financial management system that incorporates both adequate internal controls and financial reporting capabilities. The core system must comply with all applicable federal principles, standards, and requirements. OMB prescribes the policies and standards that federal agencies must observe when developing, operating, evaluating, and reporting on financial management systems. (OMB Circular A-127)

DFAS and BUMED have separate systems management and financial reporting responsibilities. STARS-FL is the core system maintained by DFAS and used by BUMED for its budgetary financial reporting function. It is used to prepare the various financial statements and accounting reports. As STARS-FL is managed by DFAS, they are primarily responsible for generating general ledgers and financial reporting. However, most of the data used by DFAS to carry out its accounting and financial reporting services for Navy medicine originate from BUMED's MTFs. The data are either manually input by MTF personnel or originate from the BUMED systems discussed in Chapter III. Since BUMED operates several automated information systems (financial, non-financial, and

mixed) that integrate with STARS-FL, it is held responsible for the federal compliance of its own financial management systems.

> Although DFAS is responsible for the STARS-FL, it is not responsible for all of the systems that produce financial management data, including those managed by BUMED. Non-DFAS systems support other DoD functional areas, including acquisition, medical, logistics, property management, and personnel, that generate and process a significant amount of financial data that are ultimately used by the Department for management, analysis, and financial reporting. (DFAS Guide to Federal Requirements for Financial Management Systems)

2. IT System Evaluation Methodology

a. DFAS System

The methodology followed to evaluate DFAS IT systems consisted an examination of whether or not the criteria set forth in DoDFMR Vol.1 Ch. 3 (Accounting Systems Conformance, Evaluation, and Reporting) was followed. The DoDFMR mandates that requirements of OMB Circular A-127 be satisfied when conducting an evaluation of the effectiveness of IT systems. OMB Circular A-127 requires an annual self-appraisal of operating accounting systems by managers and users, and an independent evaluation performed on a cyclical basis. According to OMB Circular A-127, these evaluations form the basis for determining the compliancy of accounting systems. In meeting standards of compliance, DFAS states that the following criteria have been met:

1. Be in reasonable compliance with the Comptroller General, OMB, Department of the Treasury and DoD accounting principles, standards and policies;

2. Provide maximum accounting and general ledger control through the use of the DoD Standard General Ledger;

3. Maximize the use of standardization in data administration, data processing and data elements and minimize the number of individual accounting and financial applications;

4. Maximize the use of information systems; and,

5. Produce auditable financial statements.

b. BUMED Systems

The methodology used to evaluate the effectiveness of BUMED managed IT systems follows criteria set forth in Navy medicine's Command Evaluation Program (CE), NAVMEDINFOMGTCENINST 7510.1. The objective of the CE Program is to provide commanding officers with the ability to ensure that resources are employed effectively, securely, and economically, and within legal and administrative constraints. As an essential part of BUMED's internal controls system, an annual CE Plan serves as a focal point and liaison for actions related to audits, surveys, or reviews conducted by both internal and external audit agencies. Once audit findings identify shortcomings or areas for improvement of systems, management is tasked with providing timely responses to audit recommendations that place emphasis on evaluating the adequacy of internal controls. Management is required to develop and maintain a formal follow-up system on all CE, internal and external audit findings and recommendations to

ensure appropriate actions is taken. Management is also required to track and monitor open recommendations until the action is completed.

Working papers are generated to support CE findings and recommendations. These working papers contain documentary evidence to support CE conclusions and to restrict information to matters that are materially important and relevant to the objectives of the examination.

3. DFAS IT System Evaluation

In Fiscal Year 1997, DFAS reported that it had reviewed its primary and administrative accounting systems. The review was performed by operating personnel, and encompassed the accounting principles, standards and related requirements prescribed by the DoDFMR. Various methods were employed in performing its reviews. These methods included the use of system questionnaires, transaction testing, and reviews of operating procedures. The results of the evaluations, the approval of accounting system design documentation already provided by the GAO for federal accounting systems, and assurances given by system managers show that the STARS system is substantially in compliance with DoD Financial Management Regulation requirements. (DFAS Annual Report on Operating Accounting Systems for FY97)

DFAS has additionally had an accounting system consolidation strategy for STARS that has been underway since 1996, and is near completion. An example of success brought about by consolidation is the DCPS system that integrates with

STARS-FL to operate civilian pay. Completed in June 1998, DCPS consolidation reduced costs by eliminating 26 payroll systems and by closing 349 payroll offices. Systems for similar accounting functions, such as military pay, retiree pay, transportation, disbursing, and contractor pay are currently in the process of being consolidated. The final consolidation will reduce the number of systems, as of September 1996, from 41, to only three by fiscal year 2003. (DFAS Strategic Plan)

4. BUMED IT Systems Evaluation

In order for the STARS-FL system to produce accurate and auditable information, it must be fed sound information from BUMED feeder systems. These systems provide financial expense data to STARS-FL. Much of the data, which is manually keypunched, flows to STARS from the various systems. Historically, these systems have lacked adequate general ledger control and haven't contributed to accurate financial accounting and reporting. Therefore, the Department is embarking on efforts to bring the 'feeder' systems into compliance with applicable federal requirements. (Guide to Federal Requirements for Financial Management Systems)

BUMED's CE program made note of several shortcomings of the financial report data produced from its IT systems. Results of the CE program identified several shortcomings of IT systems' ability to support user needs. (NMIMC CE Program Officer) Although these shortcomings continue, corrective improvement

efforts are currently underway. The Deputy Secretary of Defense directed the acceleration of migration systems, data standards, and process improvements, to expedite reform processes. (Deputy Secretary of Defense Memo of October 1993)

Reform initiatives have therefore centered around the development of NMIMC IT Project teams whose focus is on the need to consolidate and standardize the finance and accounting systems described in Chapter III. The goal of the CE program and the resulting NMIMC project teams is to develop process improvements that will create effective reporting, and produce cost savings. While consolidation efforts have already produced cost savings from process improvements and newly established efficiencies, further progress continues. DFAS and BUMED designated certain existing finance and accounting systems as migratory systems, into which similar systems are now consolidated. A discussion of those systems selected by BUMED was furnished in Chapter III.

C. BUMED FINANCIAL MANAGEMENT REPORTS

BUMED has historically had difficulty with the accuracy of the financial reports provided by its IT systems. In a 1995 meeting of BUMED comptrollers, the claimancy reported that RUMR analysis indicated that 90 percent of its MTFs received a failing grade in the accuracy of the information contained in their respective UMRs. (Medical Service Corps Specialty Leader for Financial Management).

1. BUMED Managed Reports Evaluations Methodology

The same methodology employed to evaluate the effectiveness of BUMED IT systems was used to evaluate the resource reports discussed in Chapter III for two reasons:

1) The CE program applies to all functional programs within BUMED, and is an excellent means of evaluating the accuracy of the contents of the reports; and,

2) The accuracy of BUMED managed reports is closely linked to the systems' abilities to produce them. In addition to consulting the CE Coordinator for BUMED, telephone interviews with two field level comptrollers were conducted to gain insight into potential commonality in reporting problems.

2. Evaluation of BUMED Managed Reports

a. Improper Data Input

The primary problem identified by field comptrollers that cause faulty output of UMR data was 'garbage-in/garbage-out'. At the field level, failure to apply the appropriate MEPRS and cost accounts codes to job order numbers when setting up the financial accounting structure of MTFs prior to the start of fiscal years caused the faulty reporting. Consequently, the UMR and RUMR were rarely used as management tools to measure budget execution performance, as they were incomplete and provided relatively little useful information. Once a new fiscal year began and transactions occurred, obligations and expenses accrued to inappropriate SAGs, S/SFCs and Cost Accounts. Typical examples of problems resulting from the accumulation of faulty input of MEPRS

and Cost Account Codes was that RUMR would report cost centers that processed workload, yet no expenses were accrued for the labor involved. Another cost center might show labor expenses and obligations for the procurement of supplies and equipment, yet no workload processing. Improper workload accountability is a long-standing deficiency of financial management reporting within Navy medicine. (Navy Medical Inspector General Web Page).

b. Lack of Required MEPRS Training

Providing training for personnel in the proper application of MEPRS coding procedures, and the complex interaction among the systems that required accurate codification, is costly, both in terms of travel costs and the time required to get people up to speed. The SPMS, EAS IV, CHCS, and STARS-FL systems all require the input of accurate MEPRS and financial accounting codes to provide accurate reports. Historically, not all of these systems were integrated. The fact that some systems couldn't speak to each other compounded an already complex situation.

c. Failure to Input Planned Budget Execution Data

Another problem reported that negatively affected the UMR, was the MTF comptrollers' failure to input key planned obligation and expense data into STARS-FL prior to the start of fiscal years. Well into fiscal years, RUMRs showed budget execution data that did not match planned execution because no

plans existed. In short, improper utilization of information systems has led to reports that haven't accurately measured performance.

With the existing IT systems improvements projects discussed earlier, that are focused on integration and consolidation, BUMED aims to alleviate its historical financial reporting problems.

Additionally, CE proposals to replace the RUMR by implementing the SMART system, to identify inappropriate variation in data within MTFs can be realized through utilization of a series of performance analysis measures. SMART contains applications for use at the field level for planning, reporting and management analysis. Additionally, it is marketed as being easy to use. It identifies alternative courses of action and monitors progress. The SMART application contains user friendly guidelines for usage. Among those are the User's Manuals, Getting Started Manual, a Decision Desktop Manual and an installation Guide. In addition to these measures, BUMED is providing field level personnel access to training as well as providing Quick Reference Guides to enhance learning and use of the system.

D. EVALUATION OF OFFICIAL BUDGETARY FINANCIAL REPORTS USED IN NAVY MEDICINE

This section of the chapter evaluates the current state of the budgetary financial reports discussed in Chapter IV. These reports include the:

1) Trial Balance Report NC 2199

2) Standard General Ledger

3) NC 2171 Expense Element Report

4) DD 1176 Report on Budget Execution

5) Statement of Financial Position

6) Statement of Operations & Changes in Financial Position

The methodology used to analyze BUMED's official budgetary financial reports are set forth by criteria contained in DoDFMR Vol. 6., "Funds Control and Budgetary Accounting". The format and content of each report was compared to the criteria to determine effectiveness of the individual reports. The requirements list five specific criteria used to evaluate the effectiveness of budgetary financial reporting. Reports must:

- Record Budget Authority/Fund Allocation
- Maintain Fund Availability
- Record Obligations and Expenditures
- Contain Fund Analysis Capability
- Budgetary Accounting

1. Description of Reporting Criteria

a. Record Budget Authority/Fund Allocation

- The reports contain pertinent information regarding budget authority and fund allocation received from warrants and related budget execution documents.
- Reports adequately track, and provide for the control of expenditures at various funding levels, based upon the standard general ledger and accounting classification code structure.

- The reports record funds that provide other types of budgetary authority in excess of appropriation authority.
- The reports identify and note the types of authority received.
- The reports are able to identify the different levels of funds control using elements of the classification structure, including program, organization, project and fund.
- Funds received are appropriately categorized based on how they were apportioned, e.g., quarterly.

b. Maintain Fund Availability

- The reports provide the balance of funds availability for review prior to the issuance of a commitment, obligation, or expenditure.
- The availability of funds is properly updated to prevent the incurrence of commitments, obligations, and expenditures in excess of available fund balances.
- Complete, accurate data on the status of each account is provided. The funds status is clearly evident on the reports allowing management to know of its availability.

c. Record Obligations and Expenditures

- The reports show that obligations and expenditures have accrued in a normal fashion.
- The reports show obligations for the various categories of goods and services down to the sub-functional level.
- The reports track exact program expenditure patterns.
- Totals for reimbursable program obligations can be determined.

d. Fund Analysis

- The reports maintain current information on obligations according to appropriation.

- Undelivered orders, payables and payment accruals are provided.
- The structure of the official reports readily lend themselves to adequately tracking and comparing the use of funds against operating or financial plans.

e. Budgetary Accounting

- The reports provide the appropriate accountability for budgetary resources, stewardship over assets, tracking of fund resources, and control of costs consistent with DoDFMR Vol. 1, Chapter 7.
- Account balances are maintained both by appropriation structure and individual general ledger accounts.
- Budgetary accounts are self-balancing within themselves.

2. Evaluation of Official Accounting Reports

a. NC 2199

The format of the NC 2199 meets reporting criteria for recording budget authority and fund allocation as shown in its Uniform General Ledger Account (UGLA) 1021 – Allocations Authorized. The NC 2199 does not readily track and provide for the control of expenditures at various funding levels based upon the Standard General Ledger. The NC 2199's UGLAs can however be "cross-walked" over to the Standard General Ledger accounts using specific guidance from DoD, but this is a tedious process. The NC 2199 reports and identifies the types of authority received by either Direct or Reimbursable programs. It does not identify the different levels of funds control using elements of the classifications structure. Funds received are appropriately categorized based on how they were apportioned. The NC 2199 adequately maintains funds

availability, records obligations and expenditures, and provides fund analysis. Undelivered orders, payables and payment accruals are provided. It does not adequately provide for the appropriate accountability for budgetary resources and stewardship over assets per DoDFMR Vol. 1, Chapter 7.

b. Standard General Ledger

As of the date of this thesis, BUMED did not utilize the Standard General Ledger at the claimancy level, so an adequate evaluation of the above listed criteria cannot be made. The financial information provided to higher authority for inclusion into DoN and DoD audited financial reports was cross-walked from NC 2199 UGLAs. DFAS did not provide BUMED with the Standard General Ledger for FY97. (HSO Resource Mgt. Department Budget Analyst)

c. NC 2171

The NC 2171 does not record budget authority or fund allocations. It does not provide a balance of funds availability for review prior to the issuance of an obligation or expenditure. It does record obligations and expenditures in a normal fashion, for the various categories of goods and services down to the sub-functional level. It reports and tracks exact program expenditure patterns. Totals for reimbursable program obligations are listed on the report. Current information on obligations are recorded according to appropriation. Undelivered orders, payables and payments accruals are not recorded on the NC 2171. It does not meet the DoDFMR requirement for accountability of budgetary resources.

d. The DD 1176

The DD 1176 meets the standards of all criteria listed in the DoDFMR Vol. 1, Chapter 7, with the exception of recording obligations and expenditures for the various categories of goods and services down to the sub-functional level.

e. The Statement of Financial Position

The Statement of Financial Position meets the standards of all criteria listed in the DoDFMR Vol. 1, Chapter 7, with the exception of recording obligations and expenditures for the various categories of goods and services down to the sub-functional level.

f. The Statement of Operations and Changes in Net Position

The Statement of Operations and Changes in Net Position meets the standards of all criteria listed in the DoDFMR Vol. 1, Chapter 7, with the exception of recording obligations and expenditures for the various categories of goods and services down to the sub-functional level.

E. SUMMARY

This chapter evaluated the current state of budgetary financial reporting in Navy medicine. The first part of the chapter analyzed the effectiveness of DFAS and BUMED systems with respect to how well they contribute to financial management reform within the scope of the DoD. The second section of the chapter evaluated the effectiveness of the reports generated by BUMED managed

systems. Finally, an evaluation of the current state of budgetary financial reporting in Navy medicine was provided. For the most part, analysis showed that Navy medicine has made considerable strides to contribute to financial reforms by increasing efficiencies of its systems through consolidation and integration that will create improvements to the information they produce. Additionally, BUMED has conformed to guidance from higher authority promulgated by the CFO Act.

VI. SUMMARY OF RESULTS AND CONCLUSIONS ON BUDGETARY FINANCIAL REPORTING IN NAVY MEDICINE

A. INTRODUCTION

This chapter provides a summary and conclusion on the state of the art of budgetary financial reporting in Navy medicine. The first section will address the primary and subsidiary research questions answered in the thesis. The chapter will conclude with suggestions for areas for further study.

B. RESEARCH QUESTIONS

Primary Question: What is the historical evolution and the current state of budgetary financial accounting and reporting in Navy medicine, and how effective are Navy Medicine's financial reporting practices?

Budgetary financial accounting and reporting in Navy medicine can be described as evolving from an historically fragmented and disassociated grouping of systems and reports, to one that is currently moving toward integration, in striving to attain greater efficiencies. Chapter III described these migratory systems and consolidation efforts employed by DFAS and BUMED to improve the effectiveness of financial management practices. Chapter IV described the official accounting reports used to track the status of funds reported to higher authority for inclusion into audited financial statements. The current accounting organization in Navy medicine reflects the changes taking place in DoD. The official financial accounting system supporting Navy medicine is under the control

and responsibility of DFAS. DFAS too, has undergone substantial re-organization of its financial systems to induce financial management efficiencies, not only for Navy medicine, but, for all of DoD. The level of effectiveness of budgetary financial reporting can be evaluated in terms of how well it meets the criteria for budgetary financial reporting as set forth in DoDFMR Vol. 6., "Funds Control and Budgetary Accounting". These requirements list five specific criteria used to evaluate budgetary financial reporting. Reports must adequately:

- Record Budget Authority/Fund Allocation
- Maintain Fund Availability
- Record Obligations and Expenditures
- Contain Fund Analysis Cap[illegible]ity
- Budgetary Accounting

Chapter V, noted several deficienci[illegible] in financial management efficiencies of MTFs throughout the BUMED claimancy, as determined from analysis of the official budgetary reports. The actual reports utilized by BUMED however, contained no glaring deficiencies, and were determined to contribute positively to the overall audited financial statements submitted by DoN and DoD. Therefore it was determined that current budgetary financial reporting in Navy medicine is effective in contributing to federal reform efforts.

Subsidiary Question 1: What events occurred in the evolution of governmental financial management that sparked the need for Navy medicine to reform financial accounting and reporting practices?

As discussed in Chapter II, prior to 1990, the three Military Departments and major Defense Agencies managed their own separate finance and accounting systems, and reporting practices. This decentralized mode of financial operations had a negative effect on DoD financial management practices. The requirements for interaction among the various systems increased as DoD's missions became increasingly complex. The incapability of systems and lack of standardization took a toll. Rather than redesigning its organization or standardizing its multitude of systems, DoD developed even more complex business practices to link its systems. Inefficiencies occurred, as scores of incompatible organizations that performed virtually identical functions.

Subsidiary Question 2: What are the models, principles, standards, information systems and structure that make up the current state of budgetary financial accounting and reporting in Navy medicine?

Navy medicine is currently in a state of change. The enactment of the Chief Financial Officer's Act in 1990 established that submitted financial reports within the federal government be auditable. Currently, Navy medicine is streamlining its accounting systems and processes to become more efficient in financial operations. The number of accounting systems employed is dwindling as

BUMED integrates its older legacy systems to create efficiency of operations and more reliable management reports. Fiscal year 1997 is the second year financial reports were affected by the CFO Act. Not only were the official reporting responsibilities of BUMED changed, the financial accounting organization in BUMED was reorganized as well. As shown in Chapter II, the flow of funds of the apportionment process was changed to come from the OASD (HA) in an effort to consolidate management of the Defense Health Plan across the services. For reporting purposes however, the financial statements prepared by BUMED at the end of the year roll up into the audited financial statements of the Assistant Secretary of the Navy, Financial Management and Comptroller ASN (FM&C), as that office is held responsible the Navy's financial reporting. DoN financial reports then roll up into the audited financial statements for the DoD.

Accounting principles were discussed in Chapter II. These principles require financial managers at the field level to comply with all statutory requirements and administrative regulations discussed earlier. These provisions are the driving force behind financial management reforms and also exist to improve efficiencies in the stewardship of resources.

Subsidiary Question 3: How do internal accounting initiatives such as the Medical Expense Performance Reporting System (MEPRS), the Composite Health Care System (CHCS), and the Summarized Medical Analysis Resource Tool (SMART) contribute to effective budgetary financial reporting?

These three internal initiatives are unique to the Defense Health Plan, and are designed to provide BUMED field comptrollers and claimancy managers with up-to-date information to control not only its budgetary financial resources, but also its patient workload and human resources.

The Medical Expense and Performance Reporting System tracks both utilization of manpower and expense information. It is a well entrenched systems that is used to determine medical manpower requirements at various levels within the MTF. The manpower module works together with the Uniform Chart of Accounts (UCA), which follows expense trends. Working together, both the human and financial resources required to operate functional areas within the MTF can be determined. This gives financial managers the capability to make more sound business decisions, such as determining appropriate courses of action regarding managed care decisions.

The Summarized Medical Analysis Resource Tool was clearly an attempt by BUMED to contribute to DoD financial management reform initiatives. SMART incorporates key features and integrates functions from previously fragmented in-house systems to streamline the tracking and reporting of resources to improve management's ability to make better decisions. Its contributions are improved data retrieval and trending capabilities focused on enhancing business practices of individual programs. It also provides comparisons between peer programs across the claimancy. The overall purpose for the initiation of SMART

is to allow for the analysis of infrastructure costs at levels previously unavailable from other systems.

The Composite Health Care System is the integration of six previous systems used extensively in BUMED MTFs to collect patient processing expenses, determine inpatient and outpatient billings, and myriad other functions of health care delivery. CHCS improves the quality of health care delivery by maintaining a comprehensive database of health care services provided by providers worldwide to uniformed service personnel, their family members and retired beneficiaries. CHCS is a system that deploys medical data processing that assists health care providers and administrators in the management and delivery of the continuum of care. Health care delivery costs accumulated within the CHCS can be extracted using financial codes such as SAG, S/SFC, CAC, MEPRS, and EoE for analysis at any time throughout the year.

Subsidiary Question 4: What areas of Navy Medicine's financial management framework can be improved to support DoD accounting reform efforts?

Historically, BUMED has not done a good job of adequately capturing financial data and then reporting accurate information. If BUMED's systems are to contribute to governmental reform efforts, they must continue to strive toward compliance with the guidance from higher authority. BUMED is moving in this direction now with the system initiatives discussed in Chapter III.

Another problem causing difficulties with the accuracy of financial reporting is training for personnel. The primary reason for 'garbage-in/garbage-out' is a lack of adequate training provided to personnel tasked with setting up the financial accounting structure of MTFs prior to the start of each fiscal year. The failure to apply the appropriate financial accounting codes to job order numbers builds a weak foundation for costs to accumulate. Financial reports are doomed from the start. This is caused largely a by lack of training, but also can be attributed to the level of complexity of BUMEDs annual financial guidance.

Consequently, the UMR and RUMR were rarely used as management tools to measure budget execution performance, as they were incomplete and provided relatively little useful information. Once a new fiscal year begins and transactions occur, obligations and expenses accrue to inappropriate SAGs, S/SFCs and Cost Accounts. A typical example of the problems resulting from the accumulation of faulty input of MEPRS and Cost Account Codes was that RUMR reported cost centers that processed workload, yet no expenses accrued for the labor involved. Another cost center might show labor expenses, and obligations for the procurement of supplies and equipment, yet no workload processing. Improper workload accountability is a long-standing deficiency of financial management reporting within Navy medicine. (Navy Medical Inspector General).

Providing training for personnel in the proper application of MEPRS coding procedures, and the complex interaction among the systems that require

accurate codification, is costly, both in terms of travel costs and the time required to get people up to speed. The SPMS, EAS IV, CHCS, and STARS-FL systems all require the input of accurate MEPRS and financial accounting codes to provide accurate reports. Historically, not all of these systems have been integrated. The fact that some systems couldn't speak to each other compounded an already complex situation.

Another problem negatively affecting the UMR has been MTF comptrollers' failure to input key planned obligation and expense data into STARS-FL prior to the start of fiscal years. Well into fiscal years, RUMRs would show budget execution data that did not match planned execution because no plans existed. In short, improper utilization of information systems has led to reports that haven't accurately measured performance.

With the existing IT systems improvement projects discussed earlier, that are focused on integration and consolidation, BUMED aims to alleviate its historical financial reporting problems.

Additionally, with the implementation of the SMART system, BUMED is attempting to correct the inappropriate variation in data within MTFs by utilizing a series of performance analysis measures. SMART contains applications for use at the field level for planning, reporting and management analysis. Additionally, it is marketed as being easy to use, and it identifies alternative courses of action, and monitors progress. The SMART application contains user friendly guidelines for

usage. Among those are the User's Manuals, Getting Started Manual, a Decision Desktop Manual and an installation Guide. In addition to these measures, BUMED is providing field level personnel access to training as well as providing Quick Reference Guides to enhance learning and use of the system.

C. AREAS FOR FURTHER STUDY

As this is only the second year of budgetary financial reporting under the guidance set forth in the CFO Act, further study of the utilization of the Standard General Ledger would be beneficial. The SGL was designed to provide ease in the accumulation of SGL account balances into the new audited financial statements. As stated in Chapter V, BUMED is not yet utilizing the SGL for this purpose. Further analysis of utilization of the SGL in streamlining the budgetary financial reporting process may be advantageous.

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	ASSETS						
1021	ALOC AUTHZD DIR PGM	2891560000.00		2841634000.00		49926000.00-	
1025	QTR ALOC AUTHZD DIR PGM	2891560000.00		2841634000.00		49926000.00-	
1040	FNDS COLL AUTO	119132375.02		139741051.83		20608676.81	
1041	FNDS COLL AUTO IN/APPN	24685173.76		24947920.11		262746.35	
1042	FNDS COLL AUTO DOD	6804149.46		8500375.57		1696226.11	
1043	FNDS COLL AUTO TF ACCT	13060.31		17597.31		4537.00	
1044	FNDS COLL AUTO N/F SRC	35514052.85		41078062.15		5564009.30	
1047	FNDS COLL AUTO NON DOD	52115938.64		65197096.69		13081158.05	
1060	FNDS DISBRSD		2005452542.17		2227588012.55		222135470.38
1090	FNDS COLL UNIDENT SRC	233685.59		391994.24		158308.65	
1100	ACCT REC US GOV	60445611.06		10849418.32		49596192.74-	
1110	ACCT REC A/BIL US GOV	41236946.53		25967478.24		15269468.29-	
1111	ACCT REC A/BIL IN/APPN	33821091.72		14357965.08		19463126.64-	
1112	ACCT REC A/BIL DOD	6478326.91		7639672.57		1161343.66	
1113	ACCT REC A/BIL TF ACCT	23155.83		23366.83		210.00	
1115	ACCT REC A/BIL MAE	1749.16		1749.16			
1116	ACCT REC A/BILL-FED	280.96		309.47		28.51	
1117	ACCT REC A/BIL NON DOD	912339.95		3944416.13		3032076.18	
1120	ACCT REC A/UNB US GOV	19208664.52		15118059.92-		34326724.45-	
1121	ACCT REC A/UNB IN/APPN	12108435.49		17884616.99-		29993052.48-	
1122	ACCT REC A/UNB DOD	2486633.46		2480961.27		5671.89-	
1123	ACCT REC A/UNB TF ACCT	3268.84		5907.16		2638.32	
1125	ACCT REC A/UNB MAE	921.86-		921.86-			
1126	ACCT REC UNBILL-FED	28.51		28.51			
1127	ACCT REC A/UNB NON DOD	4611220.39		280581.99		4330638.40-	
1200	ACCT REC PUB	25175369.58		29269415.95		4094046.37	
1210	ACCT REC A/BIL PUB	21847954.59		19875117.65		1972836.94-	
1214	ACCT REC A/BIL N/F SRC	21847954.59		19875117.65		1972836.94-	
1220	ACCT REC A/UNB PUB	3327414.99		9394298.30		6066883.31	
1224	ACCT REC A/UNB N/F SRC	3327414.99		9394298.30		6066883.31	
1512	TVL ADVNCS	1533312.06		1532894.55		582.49	
1810	R/O REC AUTO	244712804.25		166336838.18		78375966.07-	
1811	R/O REC AUTO IN/APPN	86120157.81		23743319.62		62376838.19-	
1812	R/O REC AUTO DOD	35992379.88		32012526.68		3979853.20-	
1813	R/O REC AUTO TF ACCT	57730.72		46870.30		10860.42-	
1814	R/O REC AUTO N/F SRC	63546388.07		71096220.94		7549832.87	
1815	R/O REC AUTO MAE	3028.58		1019.30		2009.28-	
1816	R/O AUTO-FED	309.47		337.98		28.51	
1817	R/O REC AUTO NON DOD	58992809.32		39436543.36		19556266.36-	
1910	DEFRRD CHRGS	5754.00		4934.00		820.00-	
1920	UND DISB	41492616.67		14093261.60-		55585878.27-	
1922	UND DISB - SH/OB LVL	41492616.67		14093261.60-		55585878.27-	
1930	UND EXP	543522.37		144192.75		399329.62-	
1960	UNMAT FNDS DISBRSD	4309113.89		2317508.58		1991605.31-	

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TOTAL	ASSETS	6280703164.45	2005452542.17	6019762986.80	2227588012.55	260940177.69-	222135470.38
	LIABILITIES						
2000	ACCT PAY US GOV AGNCY		8795925.55		9290775.74		494850.19
2010	ACCT PAY US GOV AGNCY		8795925.55		9290775.74		494850.19
2100	ACCT PAY PUB		467408354.58		338662954.17		128745400.41-
2140	ACCT PAY PUB OTHR		467408354.58		338662954.17		128745400.41-
2220	UNEARNED REV NON-FED		3592.38-		3592.38-		
2910	UND COLL		69420489.60		30787302.78		38633186.82-
2912	UND COLL-SH/OB LVL		69420489.60		30787302.78		38633186.82-
2991	UNR AUTHZNS GRTD		48212535.00		266660366.00		218447831.00
TOTAL	LIABILITIES		593833712.35		645397806.31		51564093.96
	INVESTMENTS						
3111	UNALLOT/ALOC QTR DIR PGM		2891560000.00		2841634000.00		49926000.00-
3114	UNALLOT/ALOC CDMB AUTHY	2891560000.00		3108294366.00		216734366.00	
3120	UNALLOT ANL ALOC AUTHY		2891560000.00		2841634000.00		49926000.00-
3211	UNOBLG AUTHZNS DIR PGM		105967673.77				105967673.77-
3212	UNOBLG AUTHZNS REIM PGM		27104162.83				27104162.83-
3230	UNDEL ORDR DIR PGM		438632909.58		401143087.91		37489821.67-
3231	UNDEL ORDR DIR PGM OTHR		391673525.92		336975350.23		54698175.69-
3232	UNDEL ORDR REIM PGM		12618007.79		16081365.46		3463357.67
3233	UNDEL ORDR REIM IN/APPN		3115064.14		2322051.42		1206987.28
3234	UNDEL ORDR RIMB DOD		11327031.40		13391517.27		2064485.87
3236	UNDEL ORDR REIM N/F SRC		161253.33		353156.22		191902.89
3237	UNDEL ORDR REIM MAE				192.00		192.00
3239	UNDEL ORDR DIR PGM MRP		46959383.66		64167737.68		17208354.02
3241	UNDEL ORDR REIM NDN DOD		14658.92		14448.55		210.37-
3280	DIR UNOBLG BAL AV X/ACCT				4179415.10		4179415.10
3310	ACRD EXP DIR PGM		2298746881.65		2436311496.99		137564615.34
3320	ACRD EXP REIM PGM		204990633.63		188888659.54		16101974.09-
3330	ACRD EXP MILPERS		1710830082.27		1870302945.63		159472863.36
TOTAL	INVESTMENTS	2891560000.00	10582010351.52	3108294366.00	10600174970.63	216734366.00	18164619.11
	INCOME						
4010	INC AUTO		204990633.63		150255472.72		54735160.91-
4011	INC AUTO IN/APPN		70614700.97		21421268.20		49193432.77-
4012	INC AUTO DOD		15769111.53		18621009.41		2851897.88
4013	INC AUTO TF ACCT		39484.98		46870.30		7385.32

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4014	INC AUTO N/F SRC		60926700.40		70743064.72		9816364.32
4015	INC AUTO MAE		827.30		827.30		
4016	INC AUTO-FEO	309.47		337.98		28.51	
4017	INC AUTO NON DOO		57639498.98		39422094.81		18217404.17-
TOTAL	INCOME		204990633.63		150255472.72		54735160.91-
	EXPENSE						
5010	CST WRK/OTHRS CUR YR	204990633.63		188888659.54		16101974.09-	
5310	GEN EXP MILPERS	1710830082.27		1870302945.63		159472863.36	
5321	GEN EXP OTHR CUR YR	2263120621.28		2385440988.52		122320367.24	
5324	GEN EXP MRP CUR YR	35082738.00		50726005.72		15643267.72	
5326	GEN EXP MRP PR YR 2			310.00		310.00	
TOTAL	EXPENSE	4214024075.18		4495358909.41		281334834.23	
	MEMDRANDUM/BUDGETARY						
9710	ANTIC ORDR AUTO	244712804.25		166336838.18		78375966.07-	
9711	ANTIC ORDR AUTO IN/APPN	86120157.81		23743319.62		62376838.19-	
9712	ANTIC ORDR AUTO DDD	35992379.88		32012526.68		3979853.20-	
9713	ANTIC ORDR AUTO TF ACCT	5773C.72		46870.30		10860.42-	
9714	ANTIC ORDR AUTO N/F SRC	63546388.07		71096220.94		7549832.87	
9715	ANTIC ORDR AUTO MAE	3028.58		1019.30		2009.28-	
9716	ANTIC ORDR AUTO FED	309.45		337.98		28.51	
9717	ANTIC ORDR AUTO NON DOD	58992809.72		39436543.36		19556266.36-	
9751	ANTIC ORDR AUTO CONTRA		244712804.25		166336838.18		78375966.07-
TOTAL	MEMORANDUM/BUDGETARY	244712804.25	244712804.25	166336838.18	166336838.18	78375966.07-	78375966.07-
SUBTOTAL		13631000043.92	13631000043.92	13789753100.39	13789753100.39	158753056.47	158753056.47
	STATISTICAL						
0915	CONSIGNMENTS	31821348.46				31821348.46-	
0931	UNOBLG ABAGP OT/MRP-(OB)	185992482.49		116615155.50		69377326.93-	
0932	UNOBLG ABAGP MRP----(OB)	80024808.66-		112435740.40-		32410931.74-	
0949	MRP GRO ADJ OBLG	82042121.66		114894053.40		32851931.74	
0961	DISTD OISBMTS	1963959925.50		2241681274.15		277721348.65	
0966	ANL LV CONTIG LIAB			21173361.71		21173361.71	
0967	ERND UNPO SAL/WAGES	13497?9.03		15206501.45		1708732.42	
0971	GRO AOJ OBLG TVL OIR PGM	37843518.98		39726373.96		1882855.08	

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0972	GRO ADJ OBLG TVL R/PGM	1557036.05		1644583.45		87497.37	
0976	ADJ OBLIG TOT DIR PGM	3003728.15		3328605.23		324877.07	
0977	GRO ADJ DBLG TOT REIMB	53949.57		48409.33		5540.24-	
0978	DIRECT TRAV OBLIG-ADM	1344093.58		1407777.68		63684.09	
0979	REIMB TRAVEL OBLIG -ADM	203309.68		213914.13		10604.45	
0983	AV DEP LEV REP GR ADJ DB	1789.70				1789.70-	
0998	GRO ADJ DBLG DBLG AUTHY	2737379791.23		2837454584.90		100074793.67	
0999	GRO ADJ DBLG A/REIM PGM	217608641.42		166336838.18		51271803.24-	
TOTAL	STATISTICAL	5196284746.73		5447295692.67		251010945.94	
GRAND TOTAL		18827284790.65	13631000043.92	19237048793.06	13789753100.39	409764002.41	158753056.47

APPENDIX B. REPORT ON BUDGET EXECUTION
DD FORM 1176

1804	18	97
	REPORT ON BUDGET EXECUTION - DD FORM 1176	
BUDGETARY RESOURCES	COMPUTED	
Budget Authority		
1A Appropriation Realized	0.00	0.00
1B Other New Auth Realized	0.00	0.00
1C Net Trans of CY Auth Realzd	0.00	0.00
1D Anticipated Resources	0.00	0.00
1 Tot Budget Authority	0.00	0.00
Unobligated Balance		
2A Brought Forward Oct. 1	0.00	0.00
2B Net Trans of PY Balances	0.00	0.00
2C Antic Trans of PY Bal	0.00	0.00
2 Tot Unobligated Balances	0.00	0.00
Reimbursement and Oth Income		
3A Earned	460,541,531.15	0.00
3B Change in Unfilled Cust Ord	(95,300.99)	0.00
3C Antic Orders for Rest of Yr	0.00	0.00
3 Tot Reimburs & Other Inc	460,446,230.16	0.00
4A Act Recov of Prior Obl Direct	0.00	0.00
4B Act Recov of Prior Obl Reim	0.00	0.00
4 Total recoveries of Prior Oblig	0.00	0.00
5A	0.00	0.00
5B Restor(+) and Write-offs(-)	0.00	0.00
5C	0.00	0.00
5D Enacted Rescissions of PY Auth	0.00	0.00
5E Withheld Pending Resciss	0.00	0.00
5 Total	0.00	0.00
6 Tot Budgetary Resources	460,446,230.16	0.00
STATUS OF BUDGETARY RESOURCES		
7A Direct Oblig Incurred	14,667,011.21	0.00
7B Reimb Oblig Incurred	460,446,230.16	0.00
7 Tot Oblig Incurred	475,113,241.37	0.00
Unobligated Balances Avail		
8A Commitments Outstanding	0.00	0.00
8B Res for Ant Reserv-Auto Apport	0.00	0.00
8C Res for Oth Antic Reserv	0.00	0.00
8D Other Bal Currently Avail	0.00	0.00
8 Tot Unoblig Bal Available	0.00	0.00
Unoblig Balance Not Avail		
9A Appointmts for Subseq Period	0.00	0.00
9B Deferred	0.00	0.00
9C Bal Subj to Future Apport act	0.00	0.00
9D Balance in Expired Accounts	0.00	0.00
9 Tot Unoblig Bal Not Avail	0.00	0.00
10 Tot Budgetary Resources	475,113,241.37	0.00
RELATION OF OBLIG TO DISBURSE		
Obligations Bal, Net, as of Oct. 1		
11A Gross Unpaid Obligations	5,063,603.34	0.00
11B Uncollect Reimb Orders	35,527,260.98	0.00
11 Tot Oblig Bal, Net, Oct 1	(30,463,657.64)	0.00
Obligated Balance, Transferred		
12A Obligations Transferred	0.00	0.00
12B Reimbursements Transferred	0.00	0.00
12 Tot Oblig Bal Transferred	0.00	0.00
Oblig Bal, Net, End of Period		
Gross Unpaid Obligations		
13A1 Undelivered Orders	4,195,900.23	0.00
13A2 Accts Pay & Accrd Liab	960,775.43	0.00
13A3 Advs Prepayments, Refs Due(-)	15,843.01	0.00
13A Tot Gross Unpaid Obligs	5,172,519.67	0.00
Uncollected Reimb Orders		
13B1 Reimbursements Receivable	10,609,252.68	0.00
13B2 Unearned Revenue (-)	0.00	0.00
13B3 Unfilled Cust Orders	118,043.94	0.00
13B Tot Uncoll Reimb Orders	10,727,296.62	0.00
13 Tot Obl Bal, End of Period	(5,554,776.95)	0.00
Outlays, Cash Basis		
14A Disbursments (Net of Refunds)	543,791,717.00	0.00
14B Reimbursements Collected	485,246,194.52	0.00
14 Net Outlays, Cash Basis	58,545,522.48	0.00
Change in Net Accts Payable		
15A Net Accts Pay End of Period	(9,632,633.24)	0.00
15B Adjust in Net Accts Payable	0.00	0.00
15C Net Accts Payable Oct. 1	(33,770,166.55)	0.00
15 Tot Change in Net Accts Pay	24,137,533.31	0.00
16 Tot Accrued Expend (Net)	13,895,663.83	0.00

18	SUPPLEMENTAL SCHEDULE TO REPORT ON BUDGET	
DOD COMPONENT: NAVY		
1804	18	97
	COMPUTED	Published
BUDGETARY RESOURCES		
A. OTHER NEW AUTH. REALIZED		
1B1 New Contract Auth.	0.00	0.00
1B2 Reappropriation	0.00	0.00
1B3 Other Authority	0.00	0.00
1B Other New Auth. Realized	0.00	0.00
B. ANTIC ORDRES REST OF YR		
3F Funds Automatic	0.00	0.00
3G Unfunded	0.00	0.00
3C Anti Orders Rest of Yr	0.00	0.00
C. TOTAL REIM AND OTHER INCOME		
3H Funded Automatic	460,446,230.16	0.00
3G Unfunded	0.00	0.00
3 Total Reimb and Other Income	460,446,230.16	0.00
D. RECOVERY PY OBLIGATIONS		
4A Direct	0.00	0.00
4B1 Funded (Work and Service)	0.00	0.00
4B2 Unfunded	0.00	0.00
4 Act Recov of PY Oblig	0.00	0.00
E OBLIGATIONS INCURRED		
7A Direct	14,667,011.21	0.00
7B Funded (Work and Services)	460,446,230.16	0.00
7C Unfunded	0.00	0.00
7 Obligations Incurred	475,113,241.37	0.00
F TRAVEL & TRANSPORTATION		
7.1A Travel-Direct Oblig	164,684.45	0.00
7.1B Travel-Reimb Oblig	395.78	0.00
7.2A Transport. Direc Oblig	(22,862.21)	0.00
7.2B Transport. Reimb Oblig	0.00	0.00
G. GROSS UNPD OBLIG 10/1		
11A1 Undelivered Orders	3,519,853.84	0.00
11A2 Accts. Pay & Accru Liab	1,549,734.33	0.00
11A3 Adv., Prepay, Refund due	(5,984.83)	0.00
11A Gross Unpd. Oblig	5,063,603.34	0.00
H UNCOLL REIMB ORDERS AS OF 1 OCT		
11B1 Reimb. Receivable	35,313,916.05	0.00
11B2 Unearned Revenue	0.00	0.00
11B3 Unfilled Customer Orders	213,344.93	0.00
11B Uncoll. Reimb. Orders	35,527,260.98	0.00
I OBLIGATIONS TRANSFERRED		
12A1 Undelivered Orders	0.00	0.00
12A2 Accts Pay and Accrued Liab.	0.00	0.00
12A3 Adv. PPay and Refunds	0.00	0.00
12 Oblig. Transferred	0.00	0.00
J REIMB. TRANSFERRED		
12B1 Reimb. Receivable	0.00	0.00
12B2 Unearned Revenue	0.00	0.00
12B3 Unfilled Cust. Orders	0.00	0.00
12B Reimb. Transferred	0.00	0.00
K ACCTS PAY & ACCRUED LIAB		
13A2.1 Related to Public	901,494.28	0.00
13A2.2 Related to US Govt.	59,281.15	0.00
13A Accts Pay & Accrued Liab	960,775.43	0.00
L ADV. PREPAY & REFUNDS DUE		
13A3.1 Adv Prepay Public	15,844.01	0.00
13A3.2 Adv. Prepay-Govt	0.00	0.00
13A3.3 Refunds Due Public	0.00	0.00
13A3.4 Refunds Due US Govt	0.00	0.00
13A3 Adv. Prepay and Refund Due	15,844.01	0.00
M REIMBURSEMENTS RECEIVABLE		
13B1.1 From the Public	0.00	0.00
13B1.2 From US Govt	10,609,252.68	0.00
13B1 Reimbursements Receivable	10,609,252.68	0.00
N UNEARNED REVENUE		
13B2.1 Related to Public	0.00	0.00
13B2.2 Related to US Govt	0.00	0.00
13B Unearned Revenue	0.00	0.00
REMARKS		
7A1 Obligations Transfer Acct	0.00	0.00
13b3.A Unfilled Cust. Orders Intrafund	0.00	0.00
14.1 Disbursement Transf. Acct	0.00	0.00

1884	18	97
	REPORT ON BUDGET EXECUTION - DD FORM 1176	
BUDGETARY RESOURCES	COMPUTED	
Budget Authority		
1A Appropriation Realized	0.00	0.00
1B Other New Auth Realized	0.00	0.00
1C Net Trans of CY Auth Realzd	0.00	0.00
1D Anticipated Resources	0.00	0.00
1 Tot Budget Authority	0.00	0.00
Unobligated Balance		
2A Brought Forward Oct. 1	0.00	0.00
2B Net Trans of PY Balances	0.00	0.00
2C Antic Trans of PY Bal	0.00	0.00
2 Tot Unobligated Balances	0.00	0.00
Reimbursement and Oth Income		
3A Earned	459,789,994.86	0.00
3B Change in Unfilled Cust Ord	(250,709.65)	0.00
3C Antic Orders for Rest of Yr	0.00	0.00
3 Tot Reimburs & Other Inc	459,539,285.21	0.00
4A Act Recov of Prior Obl Direct	0.00	0.00
4B Act Recov of Prior Obl Reim	0.00	0.00
4 Total recoveries of Prior Oblig	0.00	0.00
5A	0.00	0.00
5B Restor(+) and Write-offs(-)	0.00	0.00
5C	0.00	0.00
5D Enacted Resciss of PY Auth	0.00	0.00
5E Withheld Pending Resciss	0.00	0.00
5 Total	0.00	0.00
6 Tot Budgetary Resources	459,539,285.21	0.00
STATUS OF BUDGETARY RESOURCES		
7A Direct Oblig Incurred	(2,120,592.38)	0.00
7B Reimb Oblig Incurred	459,539,285.21	0.00
7 Tot Oblig Incurred	457,418,692.83	0.00
Unobligated Balances Avail		
8A Commitments Outstanding	0.00	0.00
8B Res for Ant Reapo-Auto Apport	0.00	0.00
8C Res for Oth Antic Reapr	0.00	0.00
8D Other Bal Currently Avail	0.00	0.00
8 Tot Unoblig Bal Available	0.00	0.00
Unoblig Balance Not Avail		
9A Appointmts for Subseq Period	0.00	0.00
9B Deferred	0.00	0.00
9C Bal Subj to Future Apport act	0.00	0.00
9D Balance in Expired Accounts	0.00	0.00
9 Tot Unoblig Bal Not Avail	0.00	0.00
10 Tot Budgetary Resources	457,418,692.83	0.00
RELATION OF OBLIG TO DISBURSE		
Obligations Bal, Net, as of Oct. 1		
11A Gross Unpaid Obligations	38,245,465.94	0.00
11B Uncollect Reimb Orders	37,901,300.60	0.00
11 Tot Oblig Bal, Net, Oct 1	344,165.34	0.00
Obligated Balance, Transferred		
12A Obligations Transferred	0.00	0.00
12B Reimbursements Transferred	0.00	0.00
12 Tot Oblig Bal Transferred	0.00	0.00
Oblig Bal, Net, End of Period		
Gross Unpaid Obligations		
13A1 Undelivered Orders	8,258,376.98	0.00
13A2 Accts Pay & Accrd Liab	2,483,818.04	0.00
13A3 Advs, Prepaymts, Ref, Due(-)	[illegible]	0.00
13A Tot Gross Unpaid Obligs	10,758,039.03	0.00
Uncollected Reimb Orders		
13B1 Reimbursements Receivable	12,180,393.26	0.00
13B2 Unearned Revenue (-)	0.00	0.00
13B3 Unfilled Cust Orders	119,869.49	0.00
13B Tot Uncoll Reimb Orders	12,300,262.75	0.00
13 Tot Obl Bal, End of Period	(1,542,223.72)	0.00
Outlays, Cash Basis		
14A Disbursments (Net of Refunds)	536,496,279.95	0.00
14B Reimbursements Collected	485,140,323.06	0.00
14 Net Outlays, Cash Basis	51,355,956.89	0.00
Change in Net Accts Payable		
15A Net Accts Pay End of Period	(9,680,731.21)	0.00
15B Adjust in Net Accts Payable	0.00	0.00
15C Net Accts Payable Oct. 1	(28,783,040.37)	0.00
15 Tot Change in Net Accts Pay	19,102,309.16	0.00
16 Tot Accrued Expend (Net)	18,868,105.84	0.00

18	SUPPLEMENTAL SCHEDULE TO REPORT ON BUDGET	
DOD COMPONENT: NAVY		
1804	18 97	
	COMPUTED	Published
BUDGETARY RESOURCES		
A. OTHER NEW AUTH. REALIZED		
1B1 New Contract Auth.	0.00	0.00
1B2 Reappropriation	0.00	0.00
1B3 Other Authority	0.00	0.00
1B Other New Auth. Realized	0.00	0.00
B. ANTIC ORDRES REST OF YR		
3F Funds Automatic	0.00	0.00
3E Unfunded	0.00	0.00
3C Anti Orders Rest of Yr	0.00	0.00
C. TOTAL REIM AND OTHER INCOME		
3H Funded Automatic	459,539,285.21	0.00
3G Unfunded	0.00	0.00
3 Total Reimb and Other Income	459,539,285.21	0.00
D. RECOVERY PY OBLIGATIONS		
4A Direct	0.00	0.00
4B1 Funded (Work and Service)	0.00	0.00
4B2 Unfunded	0.00	0.00
4 Act Recov of PY Oblig	0.00	0.00
E OBLIGATIONS INCURRED		
7A Direct	(2,120,592.38)	0.00
7B Funded (Work and Services)	459,539,285.21	0.00
7C Unfunded	0.00	0.00
7 Obligations Incurred	457,418,692.83	0.00
F TRAVEL & TRANSPORTATION		
7.1A Travel-Direct Oblig	(340,133.67)	0.00
7.1B Travel-Reimb Oblig	(9,205.11)	0.00
7.2A Transport. Direc Oblig	(242,680.85)	0.00
7.2B Transport. Reimb Oblig	0.00	0.00
G. GROSS UNPD OBLIG 10/1		
11A1 Undelivered Orders	29,497,784.85	0.00
11A2 Accts. Pay & Accru Liab	8,785,260.53	0.00
11A3 Adv., Prepay, Refund due	(37,579.44)	0.00
11A Gross Unpd. Oblig	38,245,465.94	0.00
H UNCOLL REIMB ORDERS AS OF 1 OCT		
11B1 Reimb. Receivable	37,530,834.45	0.00
11B2 Unearned Revenue	(162.99)	0.00
11B3 Unfilled Customer Orders	370,579.14	0.00
11B Uncoll. Reimb. Orders	37,901,300.60	0.00
I OBLIGATIONS TRANSFERRED		
12A1 Undelivered Orders	0.00	0.00
12A2 Accts Pay and Accrued Liab.	0.00	0.00
12A3 Adv. PPay and Refunds	0.00	0.00
12 Oblig Transferred	0.00	0.00
J REIMB. TRANSFERRED		
12B1 Reimb. Receivable	0.00	0.00
12B2 Unearned Revenue	0.00	0.00
12B3 Unfilled Cust. Orders	0.00	0.00
12B Reimb. Transferred	0.00	0.00
K ACCTS PAY & ACCRUED LIAB		
13A2.1 Related to Public	1,917,632.38	0.00
13A2.2 Related to US Govt.	566,185.66	0.00
13A Accts Pay & Accrued Liab	2,483,818.04	0.00
L ADV. PREPAY & REFUNDS DUE		
13A3.1 Adv Prepay Public	15,844.01	0.00
13A3.2 Adv Prepay-Gov.	0.00	0.00
13A3.3 Refunds Due Public	0.00	0.00
13A3.4 Refunds Due US Govt	0.00	0.00
13A3 Adv. Prepay and Refund Due	15,844.01	0.00
M REIMBURSEMENTS RECEIVABLE		
13B1.1 From the Public	69,359.98	0.00
13B1.2 From US Govt	12,111,033.28	0.00
13B1 Reimbursements Receivable	12,180,393.26	0.00
N UNEARNED REVENUE		
13B2.1 Related to Public	0.00	0.00
13B2.2 Related to US Govt	0.00	0.00
13B Unearned Revenue	0.00	0.00
REMARKS		
7A1 Obligations Transfer Acct	0.00	0.00
13b3.A Unfilled Cust. Orders Intrafund	0.00	0.00
14.1 Disbursement Transf. Acct	0.00	0.00

APPROPRIATION 1804
- # 18

		RECONCILIATION AND ADJUSTED TRIAL BALANCE				
Appropriation and Sub-Head:		17 1804				
Title:	Operations & Maintenance Navy (17 1804) BUMED #18					
STATEMENT OF FINANCIAL POSITION (SOFP)						
Assets				Amount on		
			AMOUNTS	Applicable		
CFO			CFO	Line of		
LINE	DESCRIPTION	RECONCILIATION	AMOUNT	DD1176	VARIANCE	MEMORANDUM
1a(1)	Fund Balance with Treasury	DD 1176, Line 8+9+13. Less Canceled Year(s)	(5,555)	-5,555	0	
1a(3)	Accounts Receivable Intragovt	DD 1176, Lines 13B1.2-13A3.4. Less Canceled Year(s)	40,105	10,610	29495	See Line 1b2
1a(5)	Advances and Prepayments Intragovt.	-DD 1176 Line 13A3.2. Less Canceled Year(s)			0	
1b(2)	Accounts Receivable, Non Federal	DD 1176 Line 13B1.1-13A3.3. Less Canceled Years	(29,495)	0	-29495	See Line 1a3
1b(5)	Advances and Prepayments, Non-Federal	-DD 1176 Line 13A3.1. Less Canceled Year(s)	(16)	-16	0	
1k	Property, Plant, and Equipment	DFAS-CL/FMO Data Call			0	
1m	Total Entity Assets	Sum of Section 1 SOFP	5,039	5,039	0	
2a.(1)	Non-Entity: Fund Balance with Treasury	Reopened Years Fund Balance with Treasury			0	
2a.(2)	Non-Entity: Accounts Receivable, Net	Reopened Years Acct Rec	1,502	1,502	0	
2a.(3)	Non-Entity: Interest Receivable, Net	Reopened Years Int. Rec.			0	
2a.(4)	Non-Entity: Other	Reopened Years Other			0	
2b.(1)	Non-Entity: Accounts Receivable, Net	Reopened Years Acct Rec	69	69	0	
2b.(2)	Non-Entity: Interest Receivable, Net	Reopened Years Int. Rec.			0	
2b.(3)	Non-Entity: Other	Reopened Years Other			0	
2.e.	Total Non-Entity Assets	Sum of Section 2 SOFP	1,571	1,571	0	
3	Total Assets	Sum of Sections 1 & 2 of SOFP	6,610	6,610	0	

APPROPRIATION 1804
- # 18

Liabilities						
General Guidelines: The DD 1176 and NC 2232 does not separately break out Accounts Payable and Accrued Liabilities in its separate components. However, if you discover that some accrued liabilities should be reported on different lines of the CFO statement a manual adjustment must be made to the accounts payable line. For example if Salaries and Wages are being reported as accounts payable then an adjustment must be made to Accounts Payable Public.						
4a(1)	Accounts Payable, Govt.	DD 1176, Line 13A2.2. Less Canceled Year(s)	59	59	0	
4a(4)	Other Federal Liabilities	DD 1176 Line 13B2.2. Less Canceled Year(s)	1,571	0	1571	
4b(1)	Accounts Payable-Public	DD 1176, Line 13A2.1. Less Canceled Year(s)	659	902	-243	
4b(2)(a)	Salaries and Wages	Adjust 4b(1)	243		243	
4b(2)(b)	Annual Accrued Leave	Adjust 4b(1)			0	
4b(2)(c)	Severance Pay	Adjust 4b(1)			0	
4b(7)	Other Non-Federal Liabilities	-DD 1176 Line 13B2.1. Less Canceled Year(s)				
4c	Total Liabilities	Sum of Section 4 SOFP	2,532	2,532	0	
6	Total Liabilities		2,922	2,922		
Net Position						
7a	Unexpended Appropriations	DD 1176, Line 8+9+13A1-13B3 Less Canceled Year(s)-7c SOFP	54,466	54,466	0	
7b	Invested Capital	SOFP Line 1k			0	
7c	Cumulative Results of Ops.	Line 18 SOO/CNP	(50,388)	-50,388	0	
7d	Other					
7e	Future Funding Requirements		(390)	-390		
7f	Total Net Position	Total Section 7 SOFP	3,688	3,688	0	Allowance for Bad Debts
8	Total Liabilities and Net Position	Total Assets SOFP	6,610	6,610	0	Allowance for Bad Debts
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION (SOO/CNP)						
Revenue						
1	Appropriated Capital Used	** Accounts which make up line 16 on the DD 1176. Less Capital Asset Program	18,429	18,429	0	
2a	Reimbursable Revenue Public	Line 3A DD 1176 RSC 1 from the DD 725			0	

APPROPRIATION 1804
- # 18

2b	Reimbursable Revenue Govt	Line 3A DD 1176 RSC other than 1 from the DD 725	459,790	459,790	0	
8	Total Revenue	Sum of Section 1 and 2 a/b, SOO/CNP	478,219	478,219	0	
Expenses						
9.	Program and Operating Expenses	DD 1176 Line 15+14 Less Capital Asset Program	68,817	68,817	0	
10(a)	Cost of Goods Sold Public	Line 3A DD 1176 RSC 1 from the DD 725			0	
10(b)	Cost of Goods Sold Govt	Line 3A DD 1176 RSC other than 1 from the DD 725	459,790	459,790	0	
15.	Total Expenses	Line 9+10a+10b SOO/CNP	528,607	528,607	0	
16	Excess (Shortage) of Revenue over Total Expenses before Extraordinary Item	Line 8-15 SOO/CNP	(50,388)	-50,388	0	
17	Plus or Minus Extraordinary Items					
18	Excess (Shortage) of Revenue over Total Expenses after Extraordinary Item	Line 16+/- 17 SOO/CNP	(50,388)	-50,388	0	
19.	Net Position, Beginning Balance as Previously Stated ***	See prior year CFO	28,858	28,858	0	
20.	Adjustments					
21.	Net Position Beginning Balance Restated	Line 19+/-20	28,858	28,858	0	
22	Excess (Shortage) of Revenues over Expenses	Line 18 SOO/CNP	(50,388)	-50,388	0	
23.	Plus (Minus) Non Operating Changes		25,218	25,218		
24.	Net Position, Ending Balance	Line 7f SOFP	3,688	3,688	0	

APPROPRIATION 1804
- # 18

		FACTS ADJUSTED TRIAL BALANCE				
Appropriation and Sub-Head:		17 1804				
TITLE:		Operations & Maintenance Navy (17 1804) BUMED #18				
DoDSGL	Description	Classification	Debit	Credit		
1010	Fund Balance with Treasury		(5,555)			
1311	Accts. Rec. Govt. Current++++	G	41,676			
1313	Accts. Rec. Public Current	N	(29,495)			
1415	Advances and Prepayment Govt.	G	0			
1414	Advances and Prepayment Pub	N	(16)			
1760	Military Equipment		0			
2111	Accts. Payable, Govt. Current	G		59		
2113	Accts, Payable, Public	N		659		
2211	Accrued Payroll Civilian	N		243		
2215	Accrued Funded Ann. Leave	N		0		
2311	Unearned Revenue Govt. Agen.	G		1,571		
2312	Unearned Revenue Public	N		0		
3100	Appropriated Capital			54,466		
3210	Invested Capital			0		
3310	Cum. Results of Operations			0		
5200	Revenue from Services			459,790		
5700	Appropriated Capital Used			18,429		
6100	Operating/Program Expenses		68,817			
6500	Cost of Goods Sold		459,790			
	Total		535,217	535,217		
	Differencce			0		

++++May include reopened years' accounts receivable which are classified as non-entity assets.

APPENDIX C. STATEMENT OF OPERATIONS & CHANGES IN NET POSITION FY 97 O&M, N (1804)

STATEMENT OF OPERATIONS & CHANGES IN NET POSITION FY 97 O&M, N (1804)	DATA SOURCE	
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	DFAS	$0.00
2. Revenues from Sales of Goods & Services		
a. To The Public	DFAS	$0.00
b. Intragovernmental	DFAS	$0.00
3. Interest and Penalties, Non-Federal	DFAS	$0.00
4. Interest, Federal	N/A	$0.00
5. Taxes	N/A	$0.00
6. Other Revenues & Financing Sources	Data Call	$246,674.00
7. Less: Taxes & Receipts Transferred to the Treasury or Other Agencies	DFAS	$0.00
8. Total Revenues and Financing Sources	TOTAL	
EXPENSES		
9. Program or Operating Expenses	DFAS	$0.00
10. Cost of Goods Sold	DFAS	$0.00
11. Depreciation and Amortization	N/A	$0.00
12. Bad Debts and Writeoffs	DFAS/FMO	$0.00
13. Interest		
a. Federal Financing Bank/Treasury Borrowing	N/A	$0.00
b. Federal Securities	N/A	$0.00
c. Other	DFAS	$0.00
14. Other Expenses	N/A	$0.00
15. Total Expenses	TOTAL	
16. Excess (Shortage) of Revenues and Financing Sources over Total Expenses Before Extraordinary Items	TOTAL	$0.00
17. Plus (Minus) Extraordinary Items	Data Call	$0.00
18. Excess (Shortage) of Revenues and Financing Sources over Total Expenses	TOTAL	
19. Net Position, Beginning Balance, as Previously Stated	TOTAL	
20. Adjustments	DFAS/FMO	$0.00
21. Net Position, Beginning Balance, as Restated	TOTAL	
22. Excess (Shortage) of Revenues and Financing Sources over Total Expenses	TOTAL	
23. Plus (Minus) Non-Operating Changes	DFAS/FMO	$0.00
24. Net Position, Ending Balance	TOTAL	

* columns will not total due to exclusion of dfas submit

APPENDIX D. STATEMENT OF FINANCIAL POSITION

Principal Statements

Department of the Navy
Operations & Maintenance Navy (17 1804) BUMED #18
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS	1997	1996
1. Entity Assets:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	($5,555)	$344
(2) Investments, Net (Note 4)		
(3) Accounts Receivable, Net (Note 5)	40,105	36,175
(4) Interest Receivable		
(5) Advances and Prepayments		
(6) Other Federal (Intragovernmental) (Note 6)		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Investments (Note 4)		
(2) Accounts Receivable, Net (Note 5)	(29,495)	1,559
(3) Credit Program Receivables/ Related Foreclosed Property, Net (Note 7)		
(4) Interest Receivable, Net		
(5) Advances and Prepayments	(16)	38
(6) Other Non-Federal (Governmental) (Note 6)		
c. Cash and Other Monetary Assets (Note 3)		7
d. Inventory, Net (Note 8)		
e. Work in Process (Note 9)		
f. Operating Materials/Supplies, Net (Note 10)		
g. Stockpile Materials, Net (Note 11)		
h. Seized Property (Note 12)		
i. Forfeited Property, Net (Note 13)		
j. Goods Held Under Price Support and Stabilization Programs, Net (Note 14)		
k. Property, Plant and Equipment, Net (Note 15)		
l. Other Entity Assets		
m. Total Entity Assets	$5,039	$38,123
2. Non-Entity Assets:		
a. Transactions With Federal (Intragovernmental) Entities:		
(1) Fund Balance with Treasury (Note 2)	$0	
(2) Accounts Receivable, Net (Note 5)	1,502	784
(3) Interest Receivable, Net		
(4) Other (Note 6)		

The accompanying notes are an integral part of these statements.

11/19/97 4:06 PM

Department of the Navy
Operations & Maintenance Navy (17 1804) BUMED #18
Statement of Financial Position
As of September 30, 1997
(Thousands)

ASSETS, Continued	1997	1,996
2. Non-Entity Assets:		
b. Transactions With Non-Federal (Governmental) Entities:		
(1) Accounts Receivable, Net (Note 5)	$69	$56
(2) Interest Receivable, Net		
(3) Other (Note 6)		
c. Cash and Other Monetary Assets (Note 3)		
d. Other Non-Entity Assets		
e. Total Non-Entity Assets	$1,571	$840
3. Total Assets	$6,610	$38,963
LIABILITIES		
4. Liabilities Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	$59	$1,337
(2) Interest Payable		
(3) Debt (Note 16)		
(4) Other Federal (Intragovernmental) Liabilities (Note 17)	1,571	847
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable	659	7,454
(2) Accrued Payroll and Benefits		
(a) Salaries and Wages	243	237
(b) Annual Accrued Leave		
(c) Severance Pay and Separation Allowance		
(3) Interest Payable		
(4) Liabilities for Loan Guarantees (Note 7)		
(5) Lease Liabilities (Note 18)		
(6) Pensions and Other Actuarial Liabilities (Note 19)		
(7) Other Non-Federal (Governmental) Liabilities (Note 17)		
c. Total Liabilities Covered by Budgetary Resources:	$2,532	$9,875

The accompanying notes are an integral part of these statements.

Department of the Navy
Operations & Maintenance Navy (17 1804) BUMED #18
Statement of Financial Position
As of September 30, 1997
(Thousands)

LIABILITIES, Continued	1997	1,996
5. Liabilities Not Covered by Budgetary Resources:		
a. Transactions with Federal (Intragovernmental) Entities:		
(1) Accounts Payable	$0	
(2) Debt (Note 16)		
(3) Other Federal (Intragovernmental) Liabilities (Note 17)		
b. Transactions with Non-Federal (Governmental) Entities:		
(1) Accounts Payable		
(2) Debt (Note 16)		
(3) Lease Liabilities (Note 18)		
(4) Pensions and Other Actuarial Liabilities (Note 19)		
(5) Other Non-Federal (Governmental) Liabilities (Note 17)	390	-230
c. Total Liabilities Not Covered By Budgetary Resources	$390	$230
6. Total Liabilities	$2,922	$10,105
NET POSITION (Note 20)		
7. Balances:		
a. Unexpended Appropriations	$54,466	($25,129)
b. Invested Capital		
c. Cumulative Results of Operations	(50,388)	54,217
d. Other		
e. Future Funding Requirements	(390)	(230)
f. Total Net Position	$3,688	$28,858
8. Total Liabilities and Net Position	$6,610	$38,963

The accompanying notes are an integral part of these statements.

Department of the Navy
erations & Maintenance Navy (17 1804) BUMED #18
.tement of Operations and Changes in Net Position
For the Period Ended September 30, 1997

	1997	1996
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used	$18,429	$7,049
2. Revenues from Sales of Goods and Services		
a. To the Public		
b. Intragovernmental	459,790	411,103
3. Interest and Penalties, Non-Federal		
4. Interest, Federal		
5. Taxes (Note 21)		
6. Other Revenues and Financing Sources (Note 22)		
7. Less: Taxes and Receipts Transferred to the Treasury or Other Agencies		
8. **Total Revenues and Financing Sources**	$478,219	$418,152
EXPENSES		
9. Program or Operating Expenses (Note 23)	$68,817	($47,167)
10. Cost of Goods Sold (Note 24)		
a. To the Public		
b. Intragovernmental	459,790	411,103
. Depreciation and Amortization		
.2. Bad Debts and Writeoffs		
13. Interest		
a. Federal Financing Bank/Treasury Borrowing		
b. Federal Securities		
c. Other		
14. Other Expenses (Note 25)		
15. **Total Expenses**	$528,607	$363,936
16. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses Before Extraordinary Items	(50,388)	54,217
17. Plus (Minus) Extraordinary Items (Note 26)		
18. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	($50,388)	$54,217

The accompanying notes are an integral part of these statements.

Department of the Navy
Operations & Maintenance Navy (17 1804) BUMED #18
Statement of Operations and Changes in Net Position
For the Period Ended September 30, 1997

	1997	1996
EXPENSES, Continued		
19. Net Position, Beginning Balance, as Previously Stated	$28,858	($25,129)
20. Adjustments (Note 27)		
21. Net Position, Beginning Balance, as Restated	$28,858	($25,129)
22. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	(50,388)	54,217
23. Plus (Minus) Non Operating Changes (Note 28)	25,218	(230)
24. Net Position, Ending Balance	$3,688	$28,858

The accompanying notes are an integral part of these statements.

APPENDIX E. NOTES TO FINANCIAL STATEMENTS

Appropriation Title: Operations & Maintenance Navy (17 1804) BUMED #18

Note 2. Fund Balances with Treasury

A. Business Operations Fund (USD(C)) and All Other Funds and Accounts:

	Entity Assets				
	Trust Funds	Revolving Funds	Appropriated Funds	Other Fund Types	Total
Unobligated Balance Available:					
Available			$0		$0
Restricted			0		0
Reserve For Anticipated Resources					
Obligated (but not expensed)			(55,548)		-55548
Unfunded Contract Authority					
Unused Borrowing Authority					
Treasury Balance	$0	$0	($55,548)	$0	($55,548)

B. Business Operations Fund Activities Below (USD(C)) Level:

	Entity Assets	
	Funds Collected	Funds Disbursed
Beginning Balance		
Transfers of Cash to Others		
Transfers of Cash from Others		
Funds Collected		
Funds Disbursed		
Ending Balance	$0	$0

C. All Funds and Accounts:

	Non-Entity Assets	
	Funds Collected	Funds Disbursed
Beginning Balance		
Funds Collected		
Funds Disbursed		
Ending Balance	$0	$0

D. Other Information:

Note 3. Cash and Other Monetary Assets: Not Applicable

Note 4. Investments, Net: Not Applicable

Note 5. Accounts Receivable, Net:

	(1) Allowance Amount Due	(2) Allowance For Estimated Uncollectibles	(3) Method Used	(4) Amount Due
A. Entity Receivables:				
Intragovernmental	$40,105			$40,105
Governmental	($29,496)	$0		($29,496)

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B. Non-Entity Receivables:			
Intragovernmental	$1,502		$1,502
Governmental	$69		$69

C. Other Information:

Note 6. Other Federal (Intragovernmental): Not Applicable

Note 7. Credit Program Receivables/Related Foreclosed Property, Net: Not Applicable

Note 8. Inventory, Net: Not Applicable

Note 9. Work in Process: Not Applicable

Note 10: Operating Materials/Supplies, Net: Not Applicable

Note 11: Stockpile Materials, Net: Not Applicable

Note 12. Seized Property: Not Applicable

Note 13. Forfeited Property, Net: Not Applicable

Note 14. Goods Held Under Price Support and Stabilization Programs, Net: Not Applicable

Note 15. Property, Plant, and Equipment, Net: Not Applicable

Note 16. Debt: Not Applicable

Note 17. Other Liabilities

A. Other Liabilities Covered by Budgetary Resources:

	Non-Current Liability	Current Liability	Total
1. Intragovermental			
(1) Cancelled Budget Authority	$1,571		$1,571
(2)_____			
(3)_____			
Total	$1,571	$0	$1,571

	Non-Current Liability	Current Liability	Total
2. Governmental			
(1) Unearned Revenue			$0
(2)_____			
(3)_____			
Total	$0	$0	$0

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B. Other Information:

C. Other Liabilities Not Covered by Budgetary Resources:

	Non-Current Liability	Current Liability	Total
1. Intragovermental			
(1) Cancelled Budget Authority	$0		$0
(2)_____			
(3)_____			
Total	$0	$0	$0

	Non-Current Liability	Current Liability	Total
2. Governmental			
(1) Unused Annual Leave	$390		$390
(2)_____			
(3)_____			
Total	$390	$0	$390

D. Other Information:

Note 18. Lease Liabilities: Not Applicable

Note 19. Pension and Other Actuarial Liabilities: Not Applicable

Note 20. Net Position

	Revolving Funds	Trust Funds	Appropriated Funds	Total
A. Unexpended Appropriations:				
(1)Unobligated,				
a. Available			$0	$0
b. Unavailable			0	$0
(2)Undelivered Orders			54,466	54,466
B. Invested Capital			0	0
C. Cumulative Results of Operations			(50,388)	(50,388)
D. Other			0	0
E. Future Funding Requirements			(390)	(390)
F. Total	$0	$0	$3,688	$3,688

G. Other Information:

Note 21. Taxes: Not Applicable

Note 22. Other Revenues and Financing Sources: Not Applicable

Note 23. Program or Operating Expenses

	1997	1996
A. Operating Expenses by Object Classification:		
(DoD SGL 6111) Personnel Compensation-Civilian	$8,561	($6,646)
(DoD SGL 6112) Personnel Compensation-Military	1,332	
(DoD SGL 6113) Personnel Benefits-Civilian	35	

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(DoD SGL 6115) Personnel Benefits-Former Personnel		
(DoD SGL 6114) Personnel Benefits-Military		
(DoD SGL 6116) Travel and Transportation of Persons	944	(1,443)
(DoD SGL 6117) Travel and Transportation of Things	1,212	
(DoD SGL 6118) Rental, Communication and Utilities	3,079	(2,061)
(DoD SGL 6119) Printing and Reproduction	120	(80)
(DoD SGL 6120) Contractual Services	43,029	(36,937)
(DoD SGL 6121) Supplies and Materials	10,505	
(DoD SGL 6122) Equipment not Capitalized		
(DoD SGL 6123) Grants, Subsidies and Contributions		
(DoD SGL 6124) Insurance Claims and Indemnities		
(6120) Other (describe):		
(a) Purchased Services - Other		
(b)_____		
(c)_____		
(11) Total Expenses by Object Class	$68,817	($47,167)

B. Operating Expenses by Program:

	1997	1996
(1)_____		
(2)_____		
(3)_____		
(4) Unallocated Expense		
Totals	$0	$0

C. Other Information:

Note 24. Cost of Goods Sold

	1997	1996
A. Cost of Services Sold:		
(1) Beginning Work-in-Process		
(2) Plus: Operating Expenses	$459,790	$411,103
(3) Minus: Ending Work-in-Process		
(4) Minus: Completed Work for Activity Retention		
Cost of Services Sold	$459,790	$411,103

B. Cost of Goods Sold from Inventory (using Latest Acquisition Cost):		
(1) Beginning Inventory - L.A.C.		
(2) Less: Beginning Allowance for Unrealized Holding Gains (Losses)		
(3) Plus: Purchases at Cost		
(4) Plus: Customer Returns - Credit Given		
(5) Plus: DLR Exchange Credits		
(6) Less: Inventory Losses Realized		
(7) Less: Ending Inventory - L.A.C.		
(8) Plus: Ending Allowance for Unrealized Holding Gains (Losses)		
(9) Less: Equity Transfers of Inventory to Others		
(10) Plus: Equity Transfers of Inventory from Others		
(11) Equals: Cost of Goods Sold from Inventory	$0	$0

C. Cost of Goods Sold from Inventory (using Historical Cost):		
(1) Beginning Inventory		
(a) Plus: Purchases at Cost		
(b) Plus: Inventory Gains		
(c) Minus: Inventory Losses		
(2) Less: Ending Inventory		
Cost of Goods Sold	$0	$0

Note 25. Other Expenses: Not Applicable

Note 26. Extra Ordinary Items: Not Applicable

Note 27. Adjustments: Not Applicable

Note 28. Non-Operating Changes (Transfers and Donations)

	1997	1996
A. Increases:		
(1) Transfers-In:		
(a) _____		
(b) _____		
(c) _____		
(2) Unexpended Appropriations		
(3) Donations Received		
(4) Other Increases	25,218	
(5) Total Increases	$25,218	$0
B. Decreases:		
(1) Transfers-Out:		
(a) _____		
(b) _____		
(c) _____		
(2) Donations		
(3) Other Decreases		
(4) Total Decreases	$0	$0
C. Net Non-Operating Changes (Transfers):	$25,218	$0
D. Other Information:		

Note 29. Interfund Eliminations: Not Applicable

Note 30. Contingencies: Not Applicable

Note 31. Other Disclosures: Not Applicable

Note 2. Fund Balances with Treasury

A. Business Operations Fund (USD(C)) and All Other Funds and Accounts:

	Entity Assets				
	Trust Funds	Revolving Funds	Appropriated Funds	Other Fund Types	Total
Unobligated Balance Available:					
Available			$0		$0
Restricted			0		0
Reserve For Anticipated Resources					
Obligated (but not expensed)			2,628,388		2628388
Unfunded Contract Authority					
Unused Borrowing Authority					
Treasury Balance	$0	$0	$2,628,388	$0	$2,628,388

B. Business Operations Fund Activities Below (USD(C)) Level:

	Entity Assets	
	Funds Collected	Funds Disbursed
Beginning Balance		
Transfers of Cash to Others		
Transfers of Cash from Others		
Funds Collected		
Funds Disbursed		
Ending Balance	$0	$0

C. All Funds and Accounts:

	Non-Entity Assets	
	Funds Collected	Funds Disbursed
Beginning Balance		
Funds Collected		
Funds Disbursed		
Ending Balance	$0	$0

D. Other Information:

Note 3. Cash and Other Monetary Assets: Not Applicable

Note 4. Investments, Net: Not Applicable

Note 5. Accounts Receivable, Net:

	(1) Allowance Amount Due	(2) Allowance For Estimated Uncollectibles	(3) Method Used	(4) Amount Due
A. Entity Receivables:				
Intragovernmental	$121,252			$121,252
Governmental	($3,143)	$0		($3,143)
B. Non-Entity Receivables:				
Intragovernmental	$3,114			$3,114
Governmental	$300			$300
C. Other Information:				

Note 6. Other Federal (Intragovernmental): Not Applicable

Note 7. Credit Program Receivables/Related Foreclosed Property, Net: Not Applicable

Note 8. Inventory, Net: Not Applicable

Note 9. Work in Process: Not Applicable

Note 10: Operating Materials/Supplies, Net: Not Applicable

Note 11: Stockpile Materials, Net: Not Applicable

Note 12. Seized Property: Not Applicable

Note 13. Forfeited Property, Net: Not Applicable

Note 14. Goods Held Under Price Support and Stabilization Programs, Net: Not Applicable

Note 15. Property, Plant, and Equipment, Net: Not Applicable

	(1) Depreciation Method	(2) Service Life	(3) Acquisition Value	(4) Accumulated Depreciation	(5) Net Book Value
Classes of Fixed Assets					
A. Land					
B. Structures, Facilities, & Leasehold Improvements					
C. Military Equipment			$0		$0
D. ADP Software					
E. Equipment			5,062		5,062

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F. Assets Under Capital Lease					
G. Other					
H. Natural Resources					
I. Construction-in-Progress					
Total			$5,062	$0	$5,062

*Keys:

Depreciation Methods	Range of Service Life
SL - Straight Line	1 to 5 years
DD - Double-Declining Balance	6 to 10 years
SY - Sum of the Years' Digits	11 to 20 years
IN - Interest (sinking fund)	Over 20 years
PR - Production (activity or use method)	
OT - Other (describe)	

Note 16. Debt: Not Applicable

Note 17. Other Liabilities

A. Other Liabilities Covered by Budgetary Resources:

	Non-Current Liability	Current Liability	Total
1. Intragovermental			
(1) Cancelled Budget Authority	$3,414		$3,414
(2)_____			
(3)_____			
Total	$3,414	$0	$3,414

	Non-Current Liability	Current Liability	Total
2. Governmental			
(1) Unearned Revenue		($422)	($422)
(2)_____			
(3)_____			
Total	$0	($422)	($422)

B. Other Information:

C. Other Liabilities Not Covered by Budgetary Resources:

	Non-Current Liability	Current Liability	Total
1. Intragovermental			
(1) Cancelled Budget Authority	$0		$0
(2)_____			
(3)_____			
Total	$0	$0	$0

	Non-Current Liability	Current Liability	Total
2. Governmental			
(1) Unused Annual Leave	$26,493		$26,493
(2)_____			
(3)_____			
Total	$26,493	$0	$26,493

D. Other Information:

Note 18. Lease Liabilities: Not Applicable

Note 19. Pension and Other Actuarial Liabilities: Not Applicable

Note 20. Net Position

	Revolving Funds	Trust Funds	Appropriated Funds	Total
A. Unexpended Appropriations:				
(1)Unobligated,				
a. Available			$0	$0
b. Unavailable			0	$0
(2)Undelivered Orders			2,600,420	2,600,420
B. Invested Capital			5,062	5,062
C. Cumulative Results of Operations			(143,500)	(143,500)
D. Other			0	0
E. Future Funding Requirements			(26,493)	(26,493)
F. Total	$0	$0	$2,435,489	$2,435,489

G. Other Information:

Note 21. Taxes: Not Applicable

Note 22. Other Revenues and Financing Sources: Not Applicable

Note 23. Program or Operating Expenses

	1997	1996
A. Operating Expenses by Object Classification:		
(DoD SGL 6111) Personnel Compensation-Civilian	$555,181	$558,114
(DoD SGL 6112) Personnel Compensation-Military	86,361	
(DoD SGL 6113) Personnel Benefits-Civilian	2,285	
(DoD SGL 6115) Personnel Benefits-Former Personnel		
(DoD SGL 6114) Personnel Benefits-Military		
(DoD SGL 6116) Travel and Transportation of Persons	61,230	121,209
(DoD SGL 6117) Travel and Transportation of Things	78,593	
(DoD SGL 6118) Rental, Communication and Utilities	199,682	173,098
(DoD SGL 6119) Printing and Reproduction	7,768	6,734
(DoD SGL 6120) Contractual Services	2,790,526	3,101,909
(DoD SGL 6121) Supplies and Materials	681,296	
(DoD SGL 6122) Equipment not Capitalized		
(DoD SGL 6123) Grants, Subsidies and Contributions		
(DoD SGL 6124) Insurance Claims and Indemnities		
(6120) Other (describe):		
(a) Purchased Services - Other		
(b)_____		
(c)_____		
(11) Total Expenses by Object Class	$4,462,922	$3,961,064

	1997	1996
B. Operating Expenses by Program:		
(1)_____		
(2)_____		
(3)_____		
(4) Unallocated Expense		
Totals	$0	$0

C. Other Information:

Note 24. Cost of Goods Sold

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